USURY,
THE ROOT CAUSE OF THE INJUSTICES OF OUR TIME

Introduced by

Dr. Hussain Hussain Shehatah

EL-FALAH

بسم الله الرحمن الرحيم

الربا وإِذلال الشعوب

باللغة الانجليزية

Published by:

El-Falah | **الفـــلاح**

for Translation, Publishing & Distribution | للترجمة والنشر والتوزيع

24 El-Tairan St, Nasr City | ٢٤ ش الطيران – مدينة نصر
Cairo - Egypt | القاهرة – مصر
Tel.: 2622838 | ت : ٢٦٢٢٨٣٨

I.S.B. N. : 977-5813-13-1 | رقم الإيداع : ٩٧/١٠/٤٩

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PREFACE

This book was based on a seminar held under the title **"Usury, the Root Cause of the Injustices of Our Time"** 13 September, 1987 A.C. in Australia, by some knowledgeable scholars who comprehended the importance and vitality of such a serious topic, usury. The book gives a full picture of usury. It defines it in particular and in its broad effects. It shows its historical development, techniques, philosophical background, how it determines the form of economic transactions and their consequent social effects.

The book gives indications of what an economy might be without it and finally we link it with those urgent problems and issues that concern us today, to show its destructive effects in our global society.

In this book of ours, we shall see that usury was never an acceptable part of human transactions. From the religious point of view it breaks the law, from another point of view it is unacceptable because of the imbalance that it creates.

The book explains that usury was previously abhorred. Unfortunately, what was originally forbidden has finally ended up being a pillar of society, if not the pillar. We have experienced - and still - its effects and results of creating an imbalance in the world today.

El-Falah, on its part, hopes it has given you food for thought. It would like with your help to take it on from here. It seems true and also urgent that we should try to face and solve our problems hand in hand.

El-Falah appreciates the efforts made by its team of proofreaders and translators who exerted themselves to an extreme to present you with this work valuable enough to be read by our dear readers everywhere. Our team of proofreaders and translators includes,

Wa'il `Abdel-Mut`al Shihab

`Ali Muhammad Al-Sawi

Headed by

Translation Manager

`Ali El-Sayed El-Halawany

El-Falah

INTRODUCTION (I)

Usury is something abhorred instinctively by man even before the revelation of the Sacred Books by Allah the Almighty. It represents greed and exploitation. All philosophers of ancient civilizations have condemned it. Aristotle said, "Nothing is more true than the statement that usury is the most loathed thing for it gets money out of money." Plato said, "It is not allowed for anyone to lend to his brother with interest." Furthermore, the Pharaohs of Egypt made laws condemning and forbidding usury.

In fact, usury is originally forbidden in all religions. In the Torah, the Exodus, Chapter 22:25, God says, "You lent silver to My poor people; do not be like moneylenders. Do not take interest." The Glorious Qur'an referred to this as Allah the Almighty says,

> "And (the Jews) for taking usury, and they were already forbidden it".
>
> (4: 161)

Also, in the Bible, Sixth Chapter, Luke's Gospel, Verse 24: "When you lend those from whom you will take your loan back, where is your merit then? The sinning people

lend the sinning ones in order to take back the same amount. Love your enemies, do good and lend others while anticipating nothing in return so that your reward may be great." The church condemned the usurious banks and fought interest.

Islam has forbidden all forms of usury through clear statements found in the Glorious Qur'an and the Prophetic Sunnah. The last verse of the Qur'an revealed concerning this matter was,

> "So, in case you do not perform that, then take notice of a war from Allah and His Messenger (against you); and in case you repent; then you shall have the capitals of your riches; you shall not do injustice, and you shall not be done an injustice".
>
> (2: 279)

And, in the Farewell Pilgrimage of the Prophet (Peace be upon him) he said,

> "All sorts of usury are invalid, the usury of Pre-Islamic era is invalid, the usury of my uncle Al-`Abbas Ibn `Abdel-Muttalib is also invalid."

(Narrated by Al-Bukhari and Muslim)

Many forms of usurious dealings have emerged, foremost among which are: bank interest, debt interest, loan in-

terest and investment fund interest. Jurists of the Muslim Ummah through symposia, seminars and conferences on Islamic Jurisprudence dealt with and issued judicial opinions forbidding usury. Among these judicial opinions is the one issued by the Islamic Research Academy in 1965 A.C. which said:

"Interest on all sorts of loan is a forbidden usury. There is no difference between what is called a consumptive loan and a productive loan. The texts of the Glorious Qur'an and the Prophetic Sunnah are clear about this. No matter what the amount of interest may be." Also, the Islamic Jurisprudence Academy stated in 1406 A.H. that, "Usury is every increase or interest on the due debt which would allow men to be delayed. Also, the interest on the loan from the initiation of the contract: these two forms are legally prohibited usury." Also, the jurists who participated in the second conference for Islamic banks in 1403 A.H. concluded that, "What is called by economists 'Interest' is legally prohibited usury."

From the economic perspective, usury is considered - with all its forms of bank interest, deposits and loans - one of the reasons behind recession, economic crises, high costs and prices, cash inflation and unemployment. Keynes says, "complete employment will not be achieved unless the interest rate becomes zero"; linking clearly modern economic

problems to usury.

From the political perspective, usury is considered one of the reasons behind stamping people with humiliation and depriving them of their free will. As when a given country takes usurious loans that multiply till they become overburdening, then the rich countries and their organizations such as the International Monetary Fund (I.M.F.) and the International Bank for Reconstruction (World Bank) interfere through laying restrictions and imposing further austerity on the poor countries. Egypt, Jordan, Indonesia, and Yemen are good examples of this.

From the social perspective, usury leads to accumulating wealth in the hands of a small number of people that leads to widening the gap between the classes, cutting social ties, increasing greed, grudges, hatred and the sense of materialism among people.

This book handles a set of research papers and studies that were presented before a seminar held under the title "Usury, the Root Cause of the Injustices of Our Time", 13 September 1987 A.C. in Australia. Among the most important papers presented to the seminar were:

- Diagnosis of usury as a crime

- Historical background of usury

- The false growth cycle inherent in the credit-based economy

- Usury-free and usurious economies compared

- Usury and its effect on the environment: a local view

- Usury and its effect on the environment: a local view postscript

- The oppression of consumer debt

- Economic imperialism

The papers submitted to the seminar included many economic concepts and principles confirming that the interest-based economic system by and large and the credit system in particular create serious political, social and economic problems leading to injustice enjoyed only by the poor, individuals, and states! This is clearly evident through the great gap found between classes in a single country and between states in the international arena.

If the capitalist system that is based on exploitation, monopoly and blackmail of the wealth of the poor is not corrected by abolishing the interest system and replacing it with the "cooperation system", the poor both individuals and states will not have anything whatsoever left. Also, it will collapse just as the Socialist one has collapsed. This is what

chief economist Maurice Alain who received the Noble Prize on economics in 1989 A.C. has foretold.

We are certain that the future will give way for the Islamic economic system that frees people from bonds of usury and that is based on investment through legal Islamic formulas.

This book is considered one of the best and most useful books that maybe of great benefit for both Muslims and Non-Muslims. May Allah the Almighty benefit all humanity through it.

Introduced by

Dr. Hussain Hussain Shehatah

INTRODUCTION (II)

FIRSTLY some explanation about the reasons for holding this seminar, and the meaning of its title may be necessary, but before I give this I would like to ask you to do something for us. You may have gathered from our names, or you may know from past acquaintance, that we, the presenters of this seminar, are Muslims. We ask you to put this aside, as what we are going to present to you today concerns us all, we are all members of this society and its commonly recognized problems are problems for us all.

We believe that what we are presenting here today is concerned with the continued existence of all of us in this society - possibly even about the survival of the human race. We in fact believe that being human is about behavior, acting in a balanced, responsive and responsible way in our society.

Something which many of you here are familiar with, and which has become a hot issue, is the so-called "debt problem", usually associated with the "Third World". We wish to show that this is only one symptom of a sickness, an imbalance, in the economic life of this society, which affects us all, the oppressive nature of which is daily becoming more apparent through social and environmental destructiveness and political tyranny. We will attempt to show that there is a common root to all manifestations of this sickness- a mechanism in financial transactions that was once known as usury, in popular parlance "moneylending". We wish to reactivate a debate that was a major political and social issue throughout the fifteenth and sixteenth centuries, concerning what was just in economic dealings. We wish to show that usury is no more acceptable now than it was then, and how economic imperatives and technique of a particular kind are related to the destructive imbalances we see today.

Since usury is a term no longer in common use, we should begin by saying what it is. This is only a preliminary attempt at definition, as in practice it is subtle and can take many forms. We are still developing our own understanding of it - so! some definitions:-

- It is usury to exchange a given amount of a particular commodity for any more or less than exactly the same

amount of that same commodity, whether any delay is involved or not.

- It is usury to acquire gain from the use of a thing not in itself fruitful without there being any labor, expense or risk on the part of the lender.

- It is usury to take back more than the principal in repayment of a loan.

- It is usury to make money directly out of money.

- It is a characteristic property of usury that the gain from it is certain and automatic.

All of this can be loosely summed up by the phrase "obtaining something for nothing". It may be difficult at first sight to see how this can constitute a major cause of the injustices of our time, but its profound implications and innumerable ramifications will become increasingly apparent as the seminar progresses.

It is, however, important at this stage to note that the present commonly understood meaning of the word *usury*, that is '*usury*' is confined to extortion by means of exorbitant rates of interest, is not the correct definition and that the term '*usury*' in fact covers the taking of any interest whatsoever. By the end of this presentation you will have a taste of the meaning of the term, and how it affects economy and

society.

We hope that this seminar is only a beginning and that it might develop into an arena of understanding and political action.

WHERE DOES THE BUCK STOP?

WHAT we want to do this morning is to try and find out what has happened, what's gone wrong. How did we get to where we are?

Let us imagine that we are looking at the body of a crime victim. Multiple injury, heavy duty GBH, rape and robbery of an unprecedented nature. The victim's condition is serious, critical, but there is still life. It's not yet time for an autopsy, but it soon will be, if something is not done.

We have come across the scene of the crime, stumbled over the body, probably got some blood on our clothes. Naturally we are concerned, horrified, but what can we do. We could walk away, pretend we didn't see it, we were not actually there. Its probably too much to deal with anyway, can't handle it. Don't get involved.

Or we can accept responsibility for where we find ourselves. The victim is clearly in need, surely there is some-

thing that we can do, even if we are not experts.

The victim is the planet and its inhabitants, the people, animals, plants, oceans, forests, the air, earth and water. Life itself.

But how did this happen, who did it, why? It's too awful to be an accident. How can we put it right? Can we put it right? The questions beg an answer.

One does not necessarily have answers, but let's at least try and understand what has taken place.

We do know that the official version of things, the story as we have been told it is highly suspect. It sounds very much like an alibi put out by the likeliest of suspects.

So let's try and start from the beginning. This may all sound rather simplistic, but we want to break down a complex affair into sizable bites, in order to digest it, and use it in a positive and intelligent manner.

We are dealing with something unnatural, a gross imbalance, something so out of sync at the center, that it has thrown everything else out of step.

In trying to understand and cope with this global imbalance, it is tempting to look at the symptoms, because they are more manageable, and try and deal with it in that way. Let's save the whales, or the rain forests may be concentrate on pollution, or the arms race, nuclear power, inner city crime.

These issues are all valid, but they are all symptoms of this extreme imbalance. They are the results of something, and if we only focus on them we may miss seeing the cause. For if we are to nurse the patient back to life we have to find the cause of the disease. How did the cancer start? One could describe life as a series of transactions, some simple some complex. Chemical, personal, social, national, global and cosmic. Endless exchanges and interactions. Planets spin, seasons shift, day turns into night.

And people buy and sell, they exchange things. Its probably the most basic human social transaction. Wherever there are people, it's going on. Everything you see has probably been bought, sold or exchanged.

It is a type of social bedrock

Transactions are exchanges that are mutually beneficial both parties gain from the exchange, it is part of social movement and growth. I give you this, you give me that, and we are both pleased with the exchange and everyone else can see that everything is OK. 2+2= 4. There is balance, equilibrium.

Things go wrong when someone wants something for nothing

10 =11, 2 + 2 = 5

One pound + Gateway Building Society = Three pounds.

In order for you to believe it, some sleight of hand will be needed.

Barter of one thing for another, goods for goods without the use of money is the obvious basis for trade, but from earliest times a medium of exchange has been found to be necessary. You may not have the goods I need, so if I swap my goods for money, the medium of exchange, I can get what I want.

This medium of exchange must be something of actual value in itself, you are converting your goods into this other thing, this medium, in order to exchange that in turn for what you want. Why would anybody exchange his goods for something worthless? Would you? You're kidding! My goods represent a lot of my time and energy and sweat, they are worth something, they are real, valuable, they improve the quality of your life, they're useful. Why should I swap them for something of no value? The idea is a ridiculous! And yet this is exactly what we all do, every day.

The medium of exchange is a third element in the equation, or you can almost say its like the = sign in maths. This table equals these chairs. Or the table equals $ 50 equals the chairs

This does not mean that the price of my goods or your goods are not subject to normal fluctuations. That's OK. The price may go up and down, it can be 40 or 60 pounds, but

the value of the POUND must remain a constant, or we don't know what $ 50 means. Then we're all in trouble, we don't know where we stand. It's no longer bedrock, its quick sand. The medium of exchange must have intrinsic value of its own, it must be worth something. This is a necessary element of social stability.

It is pivotal, and if you change it, you change every transaction, like shifting the fulcrum on a set of scales.

Gold and sliver are the obvious choices. They have value, their nature does not change even over long periods of time, they don't decay. They can be split up into lots of small pieces, and then put back into big ones again. They fit the bill, and historically, they have been used with great success.

Ah, yes, that's all very well, they say. But there's only so much gold, what if there isn't enough to go round, supposing it runs out.

Well, let's think about this for a bit. The fact is everything else in existence is finite, there is only so much of anything. There is a limited amount of all of our resources... as we are finding out to our concern. There is only so much. This is fine until we get to modern economics.

Modern economics is based on continual growth, endless expansion, it will all keep getting bigger and better, more profits. This idea is now very deeply rooted, and as we shall see, it is very closely linked to the whole concept of progress and

development. To disagree with the idea of endless growth is like saying you're against progress. You want to turn the clock back, put us all back in the dark ages.

Growth is part of life, it is delightful. Endless growth becomes grotesque.

An international banker was recently asked what he thought was wrong with the world economy, and he said, “We need more growth"

This premise of constant growth defies every natural law in existence, it's like trying to deny the law of gravity. What goes up does not keep going up. We don't have endless day, non-stop summer. The wheel turns, there is expansion and contraction, profit and loss.

So, let us, like others have done for thousands of years, accept that a stable medium of exchange with intrinsic value of its own is an integral part of a balanced economy, which is in turn an essential part of a just society. I think that this is a reasonable starting place.

Modern Economics is regarded as some kind of specialist subject, it has its own special language. But specialized knowledge should not be necessary to understand something that we all take part in on a day to day basis. The chances are that we all use money everyday. The monetary structure involves us all. In fact it limits us, contains us, we are all subject to its established rules. And if it is unjust, it enslaves

us, it traps us. And once trapped, we can be controlled.

And this is actually the crux of the matter. We are proposing that the current economic system, that is now of global proportions, has ensnared all of us. It is unjust, immoral, and highly dangerous. It is like a massive spiders web, spun by the ultimate consumers, and we are all caught in it. The monetary system is really a control mechanism.

The basis of the system is Usury and I'm using the word in a broad sense. Usury as a principle. Later on we will examine the historical picture of what events actually took place, but what I want to do here is outline the process whereby money became valueless and unreal, and hand in hand with this process there has developed a network of global banks, markets, and communications, a system, that has permitted those with wealth to get increasingly rich and powerful, and has forced pretty much everybody else, including those of us in the developed countries, into something that approaches slavery. This process has permitted the scale of imbalance that we are now talking about..... and experiencing.

What's usury?

Well, two key principles are: Interest and unreal money.

1- Charging interest on loans of real money, gold.

2- Creation of paper money; i.e., promissory notes as cur-

rency even when backed by gold.

3- Charging interest on loans of paper (unreal) money.

4- Creating paper money out of nowhere, i.e., not backed by gold.

5- Centralized banking.

6- Plastic money.

7- Electronic money.

8- Stock markets.

9- Future contracts.

10- Eurobonds, etc.

11- Commodity speculation.

These are the weapons, the instruments.

Funnily enough, you hear people talk about real money, I'd like to get my hands on some REAL money, you know, none of this small stuff, BIG money, they are referring to something almost non existent, on the very edges of the physical world. That real money is nothing more than quivering electronic signals that get sent from one computer to another. Metaphysics.

Yet everyone believes in it, accepts it as real and valuable. Any one in a position to create this unreal wealth, to manipulate it, turn it into real wealth, weapons, land, energy is in a position of great power, and that degree of power

surely corrupts.

I am including all of these techniques and instruments as usury, because they all apply the same principle, and are all branches with the same root.

Without these economic tools, it would not be possible to have industry on a scale that causes global pollution, you couldn't build nuclear weapons or power stations, no star wars, no global destruction at the push of a button. You could not enslave a nation by market manipulation, in order to bleed their resources.

It simply could not be done.

Projects of such enormous size need huge financial backing. No individual or group has enough real wealth to develop and build a fleet of Fl-11 fighter planes, let alone to finance the star wars program. Without the help of the banks, and all that funny money.

You couldn't destroy the Amazon rain forest, or pollute an ocean. The concepts themselves are amazing!

Mega projects require mega bucks. And as we shall see, the opposite is also true. These huge amounts of unreal money, all on deposit at attractive rates of interest urgently and desperately need the mega projects. The show must go on.

Let's go back to our gold economy. We used to buy and sell for gold and silver, gold and silver coins were the cur-

rency. And it worked. And not just on small localized scale, as will see later. It worked if everyone held to the principles.

The trouble starts with the ones who want something for nothing. Here we can see the roots of the crime.

1 - Lending gold out on interest, even if it's real money, it's not acceptable, because it opens a door that must be kept shut. You borrow 10 and have to pay back 11. On a small scale I can see that you might say that there's not much wrong with it, and I agree that it does not look like the crime of the age. But let's be patient, and see where we can go down this corridor, once the door has been opened. Because we are not talking theory. All this has actually happened, and somehow we have got to where we are, and we are not happy about it. This is the road we have taken.

Lending on interest allows the one with money to make more money, simply because he has it in the first place. It puts the lender in a strong position and the borrower in a weak position. Being in debt is bad enough, without having to repay more than you borrow. If a group of these lenders get together, start working as a team, that gives them power over the rest of their society. There's no doubt that the lender has the edge on the borrower.

The amazing thing is that usury was outlawed by almost everybody, in virtually every civilization and society you look back at, it was against the law. Including England, until

very recently. And yet it is now difficult for people to imagine life without it, no interest, no paper money. A thorough job has been done.

2 - The next thing that happens is the promissory note. "I promise to pay the Bearer on demand the sum of....." It's easy to imagine the origins. Sure, I'll lend you some gold, but why bother taking the gold. Its here locked away safe and sound. I'll give you a note that says I've leant you the money, you can use that instead. Everyone knows me, its as good as gold! You can pay your rent or whatever it is, and then THAT person can come and collect the gold. Why carry it around?

That's a picture of what became a bank, issuing paper against gold reserves, in equal proportions. 1 for 1, a pounds' worth of gold, a pounds' worth of paper. So the door has opened a little wider, we've taken a distinct step away from our bedrock transactions.

Running parallel with this, were the markets. As trade increased and became international, agents of the wealthy merchants would travel around someone would make a purchase of some goods and pay with a Bill of Exchange, that could be exchanged for Gold with the merchant who issued it. These bills begin to be used to make. other purchases, rather than being cashed in.They were used as currency. As differences began to occur in the exchange rates, some bills were worth more than others, and a market developed for

the bills themselves.

You can see how this opens the way for the scenario where someone eventually takes the bill back to the original merchant, to find that he's gone bust, died, disappeared. So much for your piece of paper, suddenly its not worth what you thought it was, you have been cheated, it's not fair.

Now, the people who control the money tend to be in charge. Traditionally power was in the hands of the ruler or King, someone who was recognizably in command, everyone knew who he was, and even if it was a bit corrupt, or the currency got debased, it was all on a small scale, it was limited.

But as we shall see later, power and financial control were taken, bit by bit, out of the hands of the traditional rulers, and put in the hands of the merchants, and the bankers. And as trade became international, so international currency emerged, and an international monetary system developed. And with the emergence of this system, the seat of power became hidden, to the point where now no one really knows who is in charge.

One of the high-water marks in the development of this global network came in 1944 when all of the world's currencies were linked together. They were all tied in a fixed relationship to the dollar, and the dollar was itself tied to gold, $35 to the ounce.

For the first time ever, a global monetary system had been established that tied all of the world's major currencies, and by extension, all of the people who used them, into a unified structure, with its own ruled and governing bodies, that completely by-passed the visible channels of government. Politics had become theater, something to show on the 9 O'clock news. And it was all done so neatly, that for the most part no one noticed. But if the money was in your pocket, the chances were you were in someone else's.

So, to recap, we are outlining a development that has taken place whereby we have gone from real money, gold and silver, to something that was merely representative of real value. Something that has no actual value itself, but you could swap for the real thing. This was really the first step away from bedrock. It is one step removed, may be not a huge one, because the paper was still tied to something precious, something of real value. But a very significant step nonetheless, because promising to do something, and actually doing it, are not the same thing, and it's dangerous to think that they are.

The next step was the production of money that was completely worthless.

One of the problems with promissory notes is that if you print too many of them, you may not be able to keep your promises. If there are more bits of paper than there are bits of gold, you are in trouble. Supposing everyone wants to

cash them in?

Clearly if this is your situation, you have to find a way to make the paper more attractive than real thing.

The obvious way is through interest.

This was really very clear with the situation of the dollar in the 50's. The dollar was very strong, internationally accepted pretty much every where in the world. And if you had some, you could put them in the bank and they would earn interest, the money would go to work for you, give you that little bit extra. If you could get enough, may be you wouldn't have to go to work at all. It was very attractive idea.

Gold, on the other hand was not nearly so fertile, it didn't grow, no one gave you interest for it, in fact you had to pay to keep it somewhere safe.

The dollars were altogether better.

Unless there start to be too many of them.

Imagine the temptation. You are all set up with the printing presses, you can print as much money as you like, really. It's not against the law....you make sure of that. And there are all these things you want to do all these things to buy nice foreign goods, tasty bits of real estate, a bit of influence here and there.... Well, let's print a few more and go and do it. It's hard to imagine anyone being able to resist

such a temptation. Instant money. Influence, success, and of course, power.

The system, however, was not without flaws. All those dollars for example, and all of them theoretically convertible to gold. And when the potential demands on the gold became too great, the dollar was finally cut loose from the gold standard by President Nixon, in 1971, and the dollar, with all the other currencies in tow, started to drift free, blown on the turbulent winds of the market place.

And bedrock is now starting to look rather far away.

To further aggravate matters, the sharp and dramatic rises in the price of oil, and the incomprehensibly large amounts of money that this produced, only made things worse.

Staggering sums of money, the petrodollar, began to be put on deposit in banks round the world, all earning a nice bit of interest. But this created a real problem, because this money had to be put out to work by the banks in order to make enough to pay the depositors. And the best way to make money is to lend it out at a higher rate of interest than you're paying.

And the bigger the deposits, the bigger the loans have to be, and the riskier they are likely to become.

Once the concept of worthless money had been totally accepted by everyone without so much as a murmur, it was not difficult to bring some other tricks out of the hat. The audience was nicely warmed up, and it looked like they would buy pretty much anything.

Like Eurodollars.

Simply put, these are dollars that are totally outside the American banking system. They don't belong anywhere, and they owe allegiance to no one.

And they are completely free of the normal banking restrictions, they are not controlled at all. And they were great for business..

Now, the Federal Reserve requires US banks to put up a portion of their deposits as reserves to cover loans, and they can govern the character and size of the loan.

They say that if the bank gets a deposit of 100, it has to hold on to 10% as reserve, and can loan out the other 90. We go in and borrow that 90, and put it in our bank. That bank has to hold on to 9 and can lend out 81 to someone else, who puts it in his bank, who lend out 72, 90 and so it goes on. Money coming out of nowhere.

In itself a pretty good trick.

But not Eurodollars. These can be deposited lent and repaid with no restrictions whatsoever. And for every 100 dol-

lar deposit, the banks can make a 100 dollar loan, each time. And all with interest. And remember, here we are not even talking about paper money, its not MONEY in any previously accepted sense of the word, it's now electronic signals flickering through space, reproducing wildly as they go.

And our bedrock transaction is a speck of dust vanishing into the distance.

This means that if you are in the business of lending money, you can make an astronomical amount of money, and once you have astronomical amounts, you can make even more. 2 astronomical amounts. 3, 5, 100.... just buy a bigger computer to keep track of the zeros.

For the bankers, the privately wealthy, the big corporations, this was the ultimate system. Once you had a certain amount, you can put it on deposit somewhere and scoop in the interest. Just because you had a lot, you can make a whole lot more.

But even if the money has now escaped the laws of gravity, nothing else has, everything else is still rooted in the finite universe, and there is only so much to go round. And if one man has a lot, then lots of people have to have a little.

All that fantasy money built great industrial vacuum cleaners, that hovered up the resources of the rest of the world. And built new gadgets with the resources that were sold back to the Third World, for them to buy with money

lent to them by the same people who ripped them off in the first place.

It's all very neat.

The fantasy money gives real power to the ones who control it, because everyone believes in it. The paper money is in fact worthless, the banks are in fact virtually empty. But the game of musical chairs goes on, and as long as we all don't try and sit down at once, everything should be OK. It is a belief system, and it must be maintained at all costs if the status quo is to be preserved.

But no one dares to look too far upstream to see what's coming, because the idea of the system collapsing is too awesome to entertain.

But surely as day follows night, contraction must follow expansion, and the longer its held at bay, the bigger the bang.

It is as if we have all been hypnotized, it's as if a spell has been cast over the planet. Borrow and spend, borrow and spend, everywhere you go, the message bombards you. Everyone is in debt, nations are in debt, babies are born into debt, even the lenders are all in debt, to each other.

And the lenders tell the borrowers what to do, they control them, and dictate the terms. If you can't repay, we'll take your car, your house, your land, resources, your country. We'll put in our man, to make sure he keeps up the interest

payments. If he doesn't, we'll kick him out and put in someone who will. Don't subsidize the bread to keep it affordable for the poor, put the price up and keep making the interest payments.

Or else.

I mentioned earlier that these huge amounts of money need these huge protects, like building massive dams in India, or cutting down the rain forests.

If, as a banker, I have taken 100 from you and am promising you say 10% interest, I have got to put that money to work, to make that extra 10 so you can have it when you come back and ask for it. The easiest way to make money is to lend it out at a higher rate of interest to someone else. This is the safest way.

But if I've taken Billions of dollars on deposit, I've got to find someone with a real mega project up their sleeve, looking for some mega bucks.

Urgently, I've got to find it. Supposing you want your money back.

And if I can't find someone who is already looking for this kind of money, then I'd better get out there and talk someone into wanting it.

And here we have the whole myth of development. The politics of progress. Don't be backwards, don't just scratch

around in the dirt, growing enough food to feed yourselves and live in peace. Get yourselves together. Get into the Space Age.

Just look at what could be yours.

And in order to do this you need to buy all this stuff.

And you need to buy it with dollars, real money.

Don't have any?

OK what CAN you do. Enough of all this subsistence farming, and hunter gatherer business, you need a cash crop, something you can sell on the world market and get some real money.

You don't have what it takes to set that up?

Well you will have to borrow it, at the going rate of interest, you can pay it back later when you've got on your feet a bit more. It will all work out.

To make it all viable, you'll need more arable land? well let's cut down that big old forest over there for a start, you can use that, and you can build some dams to generate power, and you're going to need lots of cement and tractors, and why not have some TVs and stereos too. Might as well have some fun with all of this building going on. I'll bet you've got some handy resources and minerals you can sell too, once you're set up for it. We could probably take them off your hands. We all know the scenario.

Then they sell you some weapons so you can protect yourself... or is it so they can protect their investment?

Once you're tied into a scheme like that there is no easy way out. You will always be in debt, you'll just keep paying interest, wondering where it all went wrong.

But, the point is that the money is burning a hole in the banker's pocket, he's got to keep it moving, investing and lending in bigger and bigger projects and schemes. And every time he turns round there is even MORE money looking for somewhere to go. Remember endless growth? He's hustling like mad to invent more fantasy projects to use up all the fantasy money.

And ecological balance is a luxury the banker cannot afford. It's not even on his list. He needs short term gain, not long term balance. The system must survive. So what if some people get displaced, you lose a few seals, or there's a bit of pollution somewhere. May be cleaning up the mess will turn out to be big business, may be he can make some investments in that...

He is a slave to his own system, his machine is running him. He has to keep the money rolling over, keep it on the move. Its essential, its a ruthless, driving motivation. It's like the dot on the TV screen, if it keeps moving at the right speed, everyone will get the picture, the illusion works. If it stops, everything crumbles.

For it is really, in essence, a belief system. It all works because every one believes in it, believes in the money, the banks, the personalities, the politics, the promises and the lies. And all that belief gives them power.

The money is worthless, the banks are empty, we are all being cheated. And really they are not in control at all, and the great system contains within it the seeds of its own destruction.

For those of us who choose life, rather than anti-life, the question is not so much "What shall we put in its place? "

Rather, we must decide what tools we need, given the current scenario, that will enable us to cope with what we have inherited.

Meanwhile, back at the scene of the crime, the victim is losing blood, losing consciousness. Species of life are disappearing from earth at a rate of nearly one an hour. If we were looking for a sign that all is not well, we could hardly ask for a more eloquent one than that.

THE HISTORY OF USURY

"Take not usury nor more than thou gavest. Fear thy God, that thy brother may live with thee. Thou shalt not give him thy money upon usury nor exact of him any increase of fruits."

"Thou shalt not lend upon usury... usury of money, usury of victuals or usury of anything that is lent upon usury."

"And if a man hath not lent upon usury nor taken increase he is just."

THESE three Old Testament are quoted from Leviticus, Deuteronomy and Ezekiel respectively, and they are representative of several more, show that the prohibition of usury goes right to the legal and ethical roots of European civilization. The prohibition was confirmed and even strengthened by the early Christians. St. Augustine, for instance, who defined usury as occurring when a person ex-

pects to receive anything more than he has given, held usury to be so forbidden that any profits gained by it could not even be given away as charity. St. Thomas Aquinas was still continuing this position with clarity and vigor in the 14th century.

In the classical tradition, we find usury categorically dealt with by Aristotle. He said that of all the kinds of trade, the most unnatural and most justly hated is usury. Usury not only seeks an unnatural end, but misuses money itself, for money was intended to be used in exchange, not to increase at usury. Usury is the unnatural breeding of money from money. When we add to this the condemnation of Plato, who noted that usury inevitably set one class against another and was therefore destructive to the state, and that of the Roman philosophers Cicero, Cato and Seneca, we see that both the Judaeo-Christian and Graeco-Roman traditions which together comprised the main sources of European civilization were unanimous on this issue. Religious and secular tradition spoke with one voice.

Thus it can be seen that the practice of usury had been subject to prohibition from ancient times. To put this down to primitivism, naivety and lack of economic understanding, which many detractors did and continue to do, is arrogant and a convenient way of side-stepping the underlying intellectual issues involved. The basis of the prohibition was ethical and theological and as such was concerned with deeper

issues than economic expediency and international trade. Intrinsic to the prohibition of usury was the understanding that the essence of the usurious transaction - being guaranteed to get something for nothing - constitutes a rupture of natural law and is therefore bound to result in imbalance and disintegration. Any inconvenience incurred on the level of commercial transaction was put aside in favor of the larger consideration of the overall public good.

This does not mean to say that no transactions involving usury took place. They did. Very early on the ancient Jews had claimed ascriptural license to practice usury and the conditions under which they claimed to be allowed to do so give us a profound insight into the real nature of the usurious transaction. Deuteronomy Chapter 23 verse 20 states:"Unto a stranger thou mayest lend upon usury, but unto thy brother thou shalt not lend upon usury.' The word "stranger" in this text is generally interpreted as "enemy" and armed with this text, the Jews used usury as a weapon, finding in it a means of gaining power over their enemies. By means of usury, other people's need could be transformed into their subjection.

From ghettos in the larger cities of Christendom, Jewish money-lending activities were carried on throughout the "Dark" and "Middle Ages." They were allowed to continue under strict scrutiny and were tolerated by the authorities only for as long as they were seen to provide a useful service. Even in this oppressive situation it was possible for the

moneylender to gain enormous wealth by the practice of usury - Simon of Norwich, for example. At one stage in 13th century England nearly half of the country's tax revenue was collected from the Jewish community who represented less than 5% of the population - but they were never able to turn their wealth into power, being subject to frequent and terrible popular purges, which in this country, resulted eventually in their expulsion from the country in the 14th century not to return for 350 years.

Money lending continued to exist on a small scale throughout the Middle Ages. Unscrupulous local merchants would take advantage of humble people who had got into difficulties by reason of a bad harvest or mismanagement or some other misfortune and would be forced to borrow to fulfill the ordinary necessities of life. In these cases there would usually be an attempt to conceal the usurious nature of the loan and if it did come to light, the usurer was subject to heavy penalties and became a social outcast.

Another area in which usury existed was right at the other end of the social scale. Kings and princes would raise enormous loans at interest generally to finance some military expedition. These loans were usually raised from foreign sources, frequently Italian, and were paid by means of taxation, escaping by sheer size from the general prohibition.

However, to all intents and purposes, usury was completely excluded from all normal commercial and social

transactions. It was like prostitution, known to exist but universally condemned and reviled as were those who practiced it. In this atmosphere it was impossible for it to gain hold and flourish.

So long as the status quo in Europe remained unchanged this attitude continued to prevail. However, starting with the Italian Renaissance in the 15th century things started to happen to gradually undermine the traditional order and they reached a head when on 31st October 1517, Martin Luther nailed his 95 thesis to the church door in Wittenberg and the Reformation had begun. The repercussions of his challenge to the authority of Rome, went far beyond his apparent intention of reforming a corrupt institution. By his action he did more than any invading army had ever been able to do, he destroyed the unity of Western Christendom. His intention had been to break down the barriers between the individual and God; the actual result was to open the way to unlimited individual freedom of action. By breaking loose from Rome, he cast people adrift from the anchor of traditional morality which had been held in place by the Church's Canon Law, part of which was, of course, the complete prohibition of usury. The Catholic Church, in spite of all its deviation and corruption, nevertheless represented an unbroken tradition leading back to the teaching of Jesus and before him Moses. When its authority was broken by the Reformation, it was inevitable in the freer atmosphere of Protestant-

ism that the binding strictures on usury would be cast off.

This occurred, significantly, through the unlikely means of the rigorous Puritan moralist Calvin. Whereas before this the entire matter of usury had been subject to a whole body of traditional, time-honored doctrine, he treated the ethics of moneylending as a particular case among the general problems confronting human society which had to be solved in the light of existing circumstances. In other words he took the law into his own hands. He arrogantly dismissed the passages on usury in the Old Testament and the Judgments of the past as irrelevant in the light of the prevailing circumstances and urging that taking interest on capital is as reasonable as taking rent for land, he opened the sluice gates to a flood which has since inundated the entire world. He took it upon himself to legalize the lending of money at interest, thus giving the sanction of the law to a practice that had been held to be illegal since earliest times. The fact that he allowed only moderate interest and hedged his indulgence round with strict qualifications made no difference. The merchant now had a precedent from someone who spoke with religious authority. According to Calvin the moral law had changed and therefore it was no longer immoral to charge interest. From then on the argument within the business community was not whether interest should be permitted, but how much.

From the Puritan atmosphere of Calvin's Geneva we

move to the more salubrious going-on at the court of Henry VIII in London. Henry had become extremely attached to one of his wife's maids-of-honor, one Anne Boleyn, and was determined to marry her. The Pope refused to annul his first marriage, being very reluctant to cross the powerful Emperor Charles V, whose younger daughter, Catherine, was Henry's wife, and under Canon Law no other way of dissolving the marriage existed. So Henry, who, in his idealistic youth had earned the Pope's approval and the title"Defender of the Faith" for his denunciation of Martin Luther, proceeded to follow Luther's example by breaking with Rome and declaring himself Head of the Church in England.

Not being by any means so scrupulous as those in whose footsteps he followed, he did not hesitate to take as much advantage as possible from the new situation. The license that he proceeded to take in matrimonial matters is notorious. It is less well-known, though infinitely more important in historical terms, that one of his first actions was following on from Calvin's precedent, to raise a loan from City merchants at the rate of ten percent per annual, which rate was fixed as the limit for moderate interest, thus putting the seal of royal and religious approval on usury in England.

However, it must not be thought that the ancient prohibition was set aside without a voice being raised. A furious debate on the subject raged for well over a century. Many treatises and pamphlets were written and countless sermons

and speeches given. One cleric, in an ironic mood, said on the subject, "This hath been the general judgment of the Church for above this fifteen hundred years, without opposition, in this point. Poor silly Church of Christ that could never find a lawful usury before this golden age wherein we live." The Frenchman Bodin, whose authority on economic matters was above question and who had no ecclesiastical axe to grind bluntly reasserted the traditional position when he said, referring to Calvin: " Those who maintain under the cover of religion that moderate usury of four or five percent is just because the borrower gains as much as the lender, go against the Law of God which forbids usury absolutely and cannot be revoked." But none of this was able to really impinge on the course events were inexorably taking.

The situation was in some ways comparable to the nuclear debate in our own time. None of the passionate views expressed for or against nuclear disarmament in the public arena has any real effect on whether nuclear arms are manufactured and deployed for the simple reason that the decisions concerning these things are made in another sphere altogether and public opinion has no bearing on it one way or the other. So it was also with the introduction of usury. The source of political power had changed and the guardians of morality no longer had any real access to it.

Eventually, of course, the Churchmen themselves capitulated, and compromised rather than appear ridiculous - the

Church of England has always been prone to the philosophy of " If you can't beat them join them." They officially redefined usury to fit in with normal business practice. It was now only usury to charge extortionate rates of interest and exactly what constituted an extortionate rate of interest was not clearly defined: so to all intents and purposes businessmen had a completely free rein. Whereas previously business practice had been subject to the moral law, now the moral law could be altered by business practice.

The general trend of the ultra-pragmatism of Tudor England, was briefly interrupted, though in the long run encouraged, by the accession of Henry's eldest daughter, Mary. Mary, whose mother was Catherine of Aragon, daughter of the Catholic Emperor Charles V, proceeded to marry her first cousin, the fanatical Catholic Philip, King of Spain, and was appalled at everything that her father had done. She reacted with extreme harshness, instituting an inquisition and burning alive many of those who had taken an active part in the breach from Rome. When her comparatively brief reign came to an end, there was a counter-reaction which enabled the pragmatist and mercantile elements to considerably increase their influence in the return to Protestantism during the reign of her half-sister Elizabeth.

I would at this point like to take a break from the historical continuum and briefly look at an aspect of English life that was being thoroughly affected by the relaxing of the

laws of usury and the easy availability of credit that made possible.

From ancient times most of the people in England had lived on and from the land. Although many of the more rigorous aspects of the Norman-imposed feudal system were no longer enforced, the situation remained much as it had been for several hundred years.

There were the great landed families with vast estates, usually divided into manors and squire-arches underlying all of which was the basic pattern of village life. Land was farmed in strips on an open field system. There were yeoman farmers who owned their own strips or leased them from the local landowner on a permanent basis, but the majority of village people were copyholders which meant that they had a traditional right to a certain amount of land for themselves in return for doing a certain amount of work and giving ascertain amount of produce to their landlord. Apart from this cultivated land, there was also an area of common land where all had right to grace their own livestock.

With the Tudors, certain changes to this traditional picture stated to take place. Henry VII wanted to centralize power and extend his direct control to all parts of the country. One of the ways he did this was to elevate the merchant class who were based in the bigger cities and encourage them to become landowners, thus breaking up the land monopolies of the great aristocratic families. This process con-

tinued under Henry VIII and was given added impetus when he seized and sold the Church land during the dissolution of the monasteries, the main beneficiaries being the new class of landowners.

At the same time the nobility were encouraged to leave their estates and spend more time at Court in London. The upkeep of large establishments in London as well as the country together with the extravagance and expense entailed by court life led many countries to experience severe cash flow problems. Since it had now become much easier, in the light of the previously mentioned developments, to borrow money at interest, the needy courtier would approach a likely merchant who would usually be only too willing to accommodate him, taking as security for the loan the deeds to a manor or two on the courtier's estates. In this way many estates began to be encumbered by debt and when, as frequently happened, the nobleman defaulted, the manor held as security would pass into the possession of the merchant moneylender.

Up to this time, wealth and power had been inextricably bound up with the mere fact of ownership of land. The new landowners, whether they had got hold of their land by purchase, grant, or default, were not interested in feudal rights and responsibilities, but only in income, and therefore, increased production, and because of their debts even the old landowners themselves were now having to increase the income from their estates if they wanted to avoid losing them

to their creditors. The traditional open field system was not a farming method that encouraged the increased production that was being sought and in the interests of greater economic efficiency came "enclosure". The enclosure movement probably had more effect on more people in terms of now they lived their everyday lives than anything else before or since. The old open fields where everyone had farmed strips according to their landholding or traditional rights were divided up and enclosed by hedges, walls, dykes or whatever was appropriate, and in most places the common land suffered the same fate.

The result for the poorest section of society, the copyholders, who were by far the largest in terms of numbers, was catastrophic. Until this time they had been basically self-sufficient, farming their strips and grazing their few livestock on the common land, but all this was only by common consent and they were not able to prove any legal claim to the land they used. Consequently great numbers of them were forced to leave their villages and seek their living in town and cities, becoming a captive work force for the incipient industrial revolution.

Even many small free-holders were forced off the land because they were not able to afford to carry out the necessary measures involved in enclosing land. Some of them stayed on to become tenant farmers and paid rent to farm the same land they had once owned outright.

Since the expense incurred in enclosing land, entailing as it did hedging, banking, ditching, draining the residing of buildings and roads and many other things, was considerable, very few landlords were able to meet them from their own resources. Once more enter the usurer, who was very willing to lend money at interest on the security of these land improvement schemes.

Thus we see that moneylenders and money lending are not only a major cause of this momentous change in land use which completely altered the life and shape of the English countryside but also continued to benefit from its outcome, gaining enormous wealth without risk at that expense of the entire livelihoods of a considerable section of the population.

I have gone into this in some detail because it highlights clearly what happens when usury becomes widespread in any situation. Firstly there are far-reaching and irreversible economic and social changes. Secondly the benefit in the situation is channelled to an elite group at the expense of the poor and weak who become worse off, suffering increasing deprivation and hardship.

We left our historical narrative with Good Queen Bess, and good she certainly must have seemed to the Merchant Venturers and financiers who had gained so much influence during the Tudor period. Not so good perhaps to the copyholders dispossessed of their land by the enclosures. Certain-

ly the most significant effect of Tudor rule as far as history is concerned was the shift that occurred in the balance of power away from the traditional power structure of the landed nobility towards a new elite drawn from the merchant class, the basis of whose power was financial wealth, which was increasing exponentially due to the employment of financial techniques whose use had previously been forbidden.

Elizabeth was succeeded by her second cousin James Stuart, King of Scotland. James and his son Charles who was king after him, while they were not actually Catholics, definitely represented the old order. The doctrine of Divine Right they are famous for was not merely the arrogant assumption of power it is frequently portrayed as being, but implied responsibility on the part of the monarch to uphold the traditional moral order enshrined in the Canon Law. This, of course, ran contrary to the new spirit of merchantilism which tended to identify itself with the freedom from authority associated with the more extreme kinds of Protestantism. The mercantile class were strongly represented in Parliament and the latent hostility between the monarchy which was desirous to restore the status quo and Parliament which felt that its recently acquired power was under threat eventually erupted in the Civil War. Plato's observation about usury had proved itself to be true. Society had become divided against itself.

When Charles I was executed, a decisive blow was

struck. It was a historical watershed. Power had changed hands. The old order had given way to the new.

Ironically it was the Puritan revolution which broke the mechanism whereby religious values were able to make themselves felt in political and legal terms and which ushered in the secular state. The science of ethics became divorced from its roots in revealed texts and became something to be decided by philosophers and legislators according to the fashions and needs of the time. Merchantilism and finance rapidly began to play a greater and greater role in government.

Cromwell had been forced to resort to Dutch as well as native financiers to pay for his military exploits, which included, apart from the Civil War itself and the notorious Irish expedition, a war against the Dutch. This, the first Dutch War, was the first war fought out of purely commercial considerations and shows how trade was beginning to take center stage in political terms. It also demonstrated rather cynically that financiers stand to gain from war whatever side they are on. In the light of all this, it is significant, though not altogether surprising, that it was during this time that banking, which was in fact the institution of usury and the way it achieved complete respectability, began to take shape in the form it retains to this day.

The Earl of Clarendon was to write a few years later:

"Bankers were a tribe that had risen and grown up in Cromwell's time and never even heard of before the late troubles, till when the whole trade of money had passed through the hands of the scriveners: they were for the most part goldsmiths."

The financial transactions that were brought together under the term banking had been taking place in one form or another for a long time previously and because of the central importance it has to the subject we are discussing, I think it would be useful at this point to take a brief look at how banking came into existence. Three main elements are involved each of which involves usury: foreign exchange, the negotiation of loans, and deposit banking which includes the creation of money.

Merchants had been conducting international trade for many centuries and gradually a way of paying for goods abroad without the necessity of having to carry great quantities of gold and silver around the world, was devised. The way it was done was by means of what were known as bills of exchange. In its simplest form this was a letter given by the buyer of the goods to the seller authorizing an agent of the buyer in the home country of the seller to pay for the goods he had bought, so that the seller could collect the money he was owed in his own country and his own currency. These bills were always post-dated to allow time for the goods to be sold and the money transferred, and what began

to happen was that merchants, who wanted to get hold of their money quickly, would sell the bill to another merchant who had ready cash, at less than its face value. This second merchant would then cash the bill in when it reached its due date and make a nice profit without having had to do anything at all. This was called discounting. Dealing in these bills became a more and more sophisticated business and before long there were merchants who found it more profitable to trade in bills than actual commodities. Their trade was pure usury. This was one of the transactions taken over by the banker.

The second element was the negotiation of loans. When a loan was made there would be the lender, usually a merchant with surplus capital, the borrower, frequently a landowner in need of ready cash and also a third party, a scrivener, mentioned in the quotation from Clarendon earlier. The scriveners or scribes were a professional group who had a monopoly in the writing of legal contracts and were therefore an indispensable part of the loan process. Being in the middle of the transaction they were in an ideal position to know both those who had money to lend and also those who were looking to borrow money. Gradually they began to take on an active role and instead of just writing down the contract they would set up the whole transaction charging a sizable fee for doing so. From there to the final stage was but a short step. Rather than bringing together the two parties the scriv-

ener would take the lender's money, agreeing to pay him a certain amount of interest and then lend it to the borrower at a higher rate of interest, pocketing the difference, thus exactly mirroring the main transaction of modern banking. In this way they were able to accommodate very large loans by taking from several lenders and passing on to one borrower. This transaction was also taken over by the banker.

The third element was deposit banking and this did mainly involve the goldsmiths. Because of the nature of their trade in precious metals and bullion, goldsmiths usually had secure strong-rooms and for centuries people had handed over to them their excess gold and silver and other valuables for safe-keeping, receiving in return a receipt for what they had deposited. After a time some people started to use these receipt instead of the gold itself, transferring the receipt to someone else's name when paying a large debt. Another thing people would do, was to write to the goldsmith authorizing him to pay the bearer of the letter a certain amount from what they had on deposit, prefiguring the modern cheque. The goldsmith would make a charge for storage and for any services of this kind he performed. In this way, privately-issued notes did begin to make their appearance as a medium of exchange, but they were still tied to existing coinage and their total volume was very small in comparison with cash transactions that took place.

After a while however, the goldsmiths realized that the

deposits they held on behalf of other people tended to remain at a more or less constant level and they started to issue receipts over and above those they had already given out, both to pay for things for themselves and increasingly, as circumstances permitted, as loans at interest. The important thing to realize is that this new paper was entirely fictitious and not backed-up by currency at all. Money had been conjured out of thin air. This transaction which was not only usurious but quite frankly fraudulent, also became an integral part of the new banking.

Thus these three transactions, which were all originally connected to real trade, were gathered together in their usurious form under the umbrella term banking and entirely divorced from their original context. A new business was created dealing only in money itself. The vultures released by Calvin had well and truly come home to roost.

We left Cromwell fighting the Dutch. He won, of course, as he almost always did in battle. Had he been as successful a politician as he was general the history of England might have been considerably different but as it was, people were heartily glad to see the back of him, and were only too happy to welcome back the son of the executed king who returned to the throne of England as Charles II.

This event was bogusly known as the Restoration, bogusly because nothing was in fact restored. The situation had in

fact completely changed. True, there was a king again, but in name only. He was now in no sense a ruler, merely a figure-head. Executive control was now firmly in the hands of Parliament and real power increasingly wielded by mercantile interests and the financiers who funded them. One of the conditions imposed by Parliament on the King was that he had to give up the ancient feudal dues in which the real power of the monarchy had rested in return for what was basically an income collected from revenue. Charles II was in effect a salaried employee of Parliament. His political impotence was reflected by his frivolous lifestyle and the negation of his covert attempts to restore the power of the monarchy.

When his brother James, who mounted the throne after him, made a more determined attempt to restore the old order, Parliament's speedy response was to invite William, Prince of Orange, who had married James's daughter, Mary, over from Holland to take over the throne. The terms on which he was to come were dictated by Parliament and by these terms any vestige of political power left with the monarchy was removed. William was quite literally the bankers' man. He brought with him a personal banker from Amsterdam and in his wake came many other financiers from that city, which was at that time the financial center of Europe. From this time, however, Amsterdam went into decline and London became the new center of world finance. This was the "Glorious Revolution".

The reign of William left basically three things to poste-

rity. The first was the troubles in Ireland of which still we have bloody reminders every week which passes. The second was the Religious Toleration Act which in fact ensured once and for all that the state could no longer be bound by any religious restraints, since now all religious points of view were equally valid under the law. With the definitive removal of direct religious influence on government, the idea of the "rule of right" which had always been at least implicit was "replaced by economic expediency as the arbiter of policy and the criterion of political conduct." By this act any lingering religiously-based obstacles which still stood in the way of the financiers were removed. The third thing following on from this and enshrining the final triumph of the moneylenders was the foundation of the Bank of England. The usurers had won the day. The new Bank had government permission to discount bills and print as much money as it wanted. To cap it all, the National Debt was established. The government secured from the Bank a large source of spending power in return for the promise to pay interest on a long-term basis. A specific portion of tax revenues was allocated to pay the interest. In other words, from now on the whole population were perpetually in debt. The moneylenders wildest dreams had come true. From then on usurious transactions proceeded to adopt a larger and larger role in economic affairs until now they have so permeated everyday existence that life without them seems almost inconceivable. As a local bank manager said recently, in all

seriousness, "Interest makes the world go round".

In presenting this historical overview, it has clearly been impossible for me to cover in detail the two hundred or so years involved and I have necessarily taken a particular thread and followed it through weft and warp of the historical continuum. However, when all the details are filled in, the conclusions that I have drawn will be seen to remain true and valid. My purpose was to show how, in a period of under two centuries, the transaction of usury changed from being a crime absolutely condemned since ancient times, subject to the severest penalties of the law and despised by all people to being respected and recognized business practice whose practitioners were honored with the highest possible accolades the state could award.

The rightness of the position of our earlier ancestors on this issue is made daily more clear as the insidious effects of usury make themselves more and more felt on the environment and in our lives. It is hoped that this seminar will help to focus attention on the harmful and destructive nature of usury which has now become so inextricably bound up with modern life and awaken awareness of it as an important political issue. Our forbears demonstrated that life is possible without it and it may well be that a cure for the otherwise terminal sickness of the society in which we live lies in the return to the ancient prohibition of it which formed the starting point of this paper.

THE FALSE GROWTH CYCLE INHERENT IN THE CREDIT-BASED ECONOMY TOGETHER WITH SOME HISTORICAL ILLUSTRATIONS

MODERN economists are obsessed with the idea of "growth" credit growth, money growth, economic growth - the list goes on. But the questions we must ask are: Is this growth sustainable? Is the whole concept of economic growth based on credit valid? Has it ever worked in the past?

What I intend to do in this talk is to illustrate an historical cycle which occurred in the major financial centers which were based on, or extensively relied on, "paper" money. In other words, they relied on credit. I will concentrate on certain European economies and focus on the pattern running from Genoa to Amsterdam to London to New York. To illustrate two different types of economy which fall outside of this pattern, I will refer to Venice of the 15th century and the Ottoman Empire prior to 1800 to illustrate prosperity without the extensive use of credit.

This talk will concentrate on "currency", for as Lord Keynes pointed out: "There is no subtler or surer means of overturning the existing basis of society than to debauch the currency."

So the nature of currency is crucial.

Now, before leaping off into history, I will first touch on money and its function, and explain some of the transactions which we will refer to in the course of this talk.

The function of money is to separate buying from selling and thus enable people to trade without needing to have recourse to direct barter - like trading goats for wheat and the like. Money is therefore a medium of exchange, and by extension, it is also a unit of account so people can keep track of what they have more easily. Many things have been used as money in the course of history - salt, tobacco, pepper, cowry shells, etc., but gold and silver have been recognized and accepted as money for the past 2000 years. Gold and silver form a currency which owes its value to an inherent desirability. Both are worth something in themselves as commodities.

There are two types of paper "currency":

1) What can be termed as "fiduciary" money or promissory money, which bears the promise that it can be exchanged for gold or silver. So, in principle, it represents something of value.

2) Fiat money which is issued by governments or banks

and which is intrinsically worthless - bits of paper with no actual value in themselves other than the illusion of value. This is the form of currency in use today.

Since, as we have heard in the last talk, usury was absolutely forbidden by the church and those who were known to practice it forbidden communion in the church and sometimes even Christian burial, various credit devices were contrived to get around the prohibition and also to circumvent the need to move large sums of cash around. These devices were employed by the money dealers and lenders of the time. These transactions also enabled them to make themselves a handsome profit. Debt at that time was substantial. For example, in 1642, the total income of the 121 English peers was about 730,000 pounds - but their debts were 1,500,000. People were desperate to get hold of money by any means, and money-lenders equally eager to make a profit of people's needs.

The major unit of credit they devised was THE BILL OF EXCHANGE

The bill of exchange was a binding promise to pay a specific person a certain sum at some future but proximate date in another town, and hence a change into another before it could be paid. It was also agreed that for large sums the person required to pay should have time to raise that sum. This delay, known as USANCE, might be 1, 2 or 3 months from the day the bill was presented - so the merchant had a credit advance of 1 to 3 months. Fair enough, but the lenders had

fixed rated of usance, or interest as we would call it today - and also got additional profit on the loan by playing the exchange market. Some merchants would even send bills to themselves to gain credit, bills secured by absolutely no cash at all!

This transaction usually involved four people. Merchant A (call him Antonio of Genoa) owes money to Merchant B in Antwerp (call him Hans). Antoino needs to pay money to Hans, but does not know anyone in Antwerp who can pay Hans. So Antonio goes to a local banker, say the Casa di San Giorgio, which has an account with people in Antwerp, the Welsers. Antonio pays his money to the Casa which gives him a bill which he then sends to the Welsers. The Welsers then pay out the sum to Hans. Antonio has to pay the Casa more than he owed Hans to cover their interest. The difference between the two sums amounts to, say, a certain extra number of florins which is concealed interest.

These bills were also subject to discounting. Hans has this bill of exchange, but he doesn't actually have the money because the Welsers have a month in which to pay it to him. He goes to a discounter and says, "I have a bill of exchange for 300 florins at one month usance." The discounter buys it from him for 270 florins, so he has paid an interest of 10% a month to obtain this sum of money. It was clearly usury and definitely detested by the moralists of the time who saw through it.

Since the time of the Reformation, usury become far easier in Protestant countries, and loans were effected by a simple promissory note stating to repay a certain sum at a certain date. These promissory note could be assigned to creditors to pay another debt. Hans has a promissory note for 20 florins from Wilhelm. He owes Anton 18 florins, so he gives him the note and signs it over to him. So it becomes a currency. Bills of exchange were also transferred. We also find goldsmiths and silversmiths handing out credit notes based on metal deposited with them and which then were passed from hand to hand as currency.

This is the origin of paper currency, used originally to conceal the usury involved.

Now we can move to our historical illustrations:

Genoa moved discreetly to the forefront of finance in the 1550's and the age of the Genoese lasted until 1627. I am missing out Antwerp, a hot bed of usury under the Fuggers and Welsers, because the use of paper really came into prominence in Genoa. The Fuggers complained that doing business with the Genoese meant playing with pieces of paper (*mit papier*) while they operated with real money (Baargeld). Genoa had to focus on paper in order to avoid the Canon laws on usury.

The focus of activity in Genoa centered on a group of banker-financiers (your early multi-nationals) who formed a

joint bank, the Casa di San Giorgio, in 1408. By the 1530's the total debt handled by the Casa was 40 million lire (8 Million ducats) which was divided into paper credit notes each worth 100 lire (20 ducats). In 1557, the Genoese took on the lucrative job of managing and moving Charles V's money for him. They lent him money at what they said was 10% - expenses, but 30% according to the royal secretaries. Profits were enormous - and, more importantly, their credit enabled them to control the silver bullion arriving from America. So they went one step further and then used the silver bullion to buy and control gold. As bills of exchange had to be paid in gold, the Genoese were given considerable power. When the King tried to sack them in 1575, they blocked the circulation of gold, the troops mutinied (and sacked Antwerp) and the King gave in. The whole system of commerce functioned through these bills of exchange, which they ultimately controlled.

Eventually it became too burdensome for them - they could not keep up with the constant demands of Spain and after the Spanish bankruptcy of 1627 they more or less withdrew. It was getting out of hand as they were lending more capital than they had at a low return and they had the good Italian sense to recognize that. So Genoa was the first to develop the paper system of bills as a mechanism to monopolize credit and to make usury not so apparent. They bequeathed this paper system to the rest of Europe.

Amsterdam, the center of 17th century financial activity, had been growing steadily all the time, gradually displacing Genoa. It was aided by the flocks of refugees who came there, particularly the Sephardic Jews who were the masters of currency and stock exchange at that time.

Initially, Amsterdam began as a commodity center, the usual starting point for most financial centers. It collected, stored, sold and re-sold all manner of goods and had a virtual monopoly on transport. Accounts were settled by transfers using fictional "bank money" with interest of 5% so the Dutch rarely had recourse to coin. The banks' book-keepers would deal with 10 or 12 million florins a day on paper.

The credit market was handled by firms and merchants. But gradually, as was the case with Genoa, the commodity trade declined and they became more and more a credit market for lenders and borrowers than a commodity market for buyers and sellers. The goods by-passed Amsterdam and the Dutch became "the bankers of Europe".

The use of bills of exchange grew and they were used in lieu of cash. They were preferred because they bore interest (through discounting and underwriting).

The flood of paper grew- to 4, 5, 10 or 15 times the amount of real money in circulation. Sometimes it consisted of chains of unsecured bills (wisselruiterij) based on promises without any collateral at all. All the paper converged on

Amsterdam, leaving it only to return to it again. So the basic mechanism of the commercial system was provided by the crisscross movements of bills of exchange.

There was always a great deal of specie cash under it all, just as there had been in Genoa. Vast sums of gold and silver flowed into Amsterdam but it was the reputation of Amsterdam that allowed risk deals of chains of paper, secured only by the prosperous reputation on the Dutch economy.

The power of the money men of Amsterdam was such that they could put 200 million florins in paper money into circulation at the drop of a hat.

This very prosperity, based on paper, led to the usual embarrassing surplus so that Amsterdam had too much credit to invest. There were not enough people to borrow this created credit, so the Dutch turned to modern states notoriously good at consuming money, and bad at repaying it. Loans were made wildly - to the Hapsburg Emperor, the Elector of Saxony, the Elector of Bavaria, the King of Denmark, the King of Sweden, Cahterine II of Russia, the King of France, the city of Hamburg (their rivals!) and the American rebels. Perhaps they had "loan quotas"! The over supply of money in Amsterdam is shown by the fact that it was being loaned at only 3% or even 2% (exactly as happened in Genoa in 1600). There was too much credit on paper available.

To get an idea of the state that Dutch finances reached (or sank to), let us examine the figures for 1782. Total capital amounted to a thousand million florins. 900 million was invested in loans, and only 50 million or 5.5% of the total was in gold or silver. The rest was paper. Some people were living very dangerously indeed.

The inevitable crises arose, beginning in the 1760's. The first crisis followed the Seven Years' War (1756-63), which was a very prosperous time for Holland, as it had been neutral. This surge of prosperity exacerbated the situation, resulting in free-for-all extensions of bills of exchange and chains of unsecured paper. Credit piled up in a paper mountain 15 times that of cash. Discounters had to stop discounting and there was a currency shortage. Bankruptcies resulted - one firm went with debts of 6 million florins, another with debts of 1,200,000 florins. Bank money plummeted. The stock market came to a standstill.

The situation was only saved by a cash injection. Some people had installed factories for refining bad money issued by Frederick II of Prussia. Local merchants arranged to collect the coins and send them to merchants in Amsterdam via family connections. They, in turn, drew bills of exchange on the metal, enabling the big merchants to survive through an injection of money.

There was yet another crisis in 1773 when an English firm went bankrupt with debts of 5 Million florins. The

same chain of events happened - the Stock Market stopped - other firms went down. Those who had real money or goods survived. Those up to the necks in nothing but paper went down. But really, by this time, people were looking more and more towards England. What had happened in Genoa happened in Amsterdam. The creation of credit, unsupported by real money, generated enormous growth. Money had been created out of thin air, credit grew to unmanageable proportions, bad loans were made, and bankruptcies resulted. The situation proved to be intrinsically unstable.

When discussing currency and paper, it is, of course, impossible to avoid mentioning the notorious South Sea Bubble and the Great Crash that followed it. But first, I would like to cross over to my two other examples, Venice and Ottoman Turkey. I think we have a pretty good picture of the financial mechanisms of the Genoa-Amsterdam system and if we move over in more or less the same zone, it makes for a good comparison.

Early Venice was a model which was based on trade, and counters the argument that without extensive credit (manufactured out of nothing), there can be no prosperity nor a flourishing economy. I will concentrate on the 15th century, the real peak of Venetian trade.

Venice occupied a very advantageous geographical position - she controlled the Adriatic and the trade with Syria and Egypt. She had excellent contacts with Germany and Central

Europe to whom she sold cotton, pepper and spice and who provided her with silver coins to use for purchases in the Levant. There was also a Venice-Bruges-London route.

She expanded into an Empire, occupying towns like Padua and Verona and became very wealthy indeed. The receipts of the Signoria alone, the city of Venice, for 1423, amounted to 750,000 gold ducats. Equivalent to a per capita income between 50 and 100 ducats. Very high indeed for the time. In England the yearly income for the Lord of a good-sized manor was about 12 ducats.

This was all based on trade and a state of peace (unlike the financiers who thrive on war to create debt). Return on foreign trade at the time was 40% - all based on major commodities - pepper, spices , Syrian cotton, grain, wine and salt.

Mind you, trade was only free for Venetians. Following the pattern they had experienced trading in the Middle East, they confined German merchants to a special residence. Germans had to deposit their goods there and sell them and buy Venetian goods under strict supervision.

Venetian merchants were forbidden to buy and sell directly in Germany, so the Germans had to come to Venice with their goods, including silver, essential for trading with the Muslim lands.

The state also undertook to build large merchant ships

for charter. There was an annual auction and the winner collected charters from other merchants and charged them for the freight, based on amount of goods. These "pools" were open to any Venetian merchant, but the authorities were quick to disband any cartel which seemed to be forming a monopoly.

Venice was much more conservative than other Italian states and, as you can see, a central feature was the strong control of the government, which itself was composed of merchants.

As for finances, usury was not the mainstream of economic life in Venice, unlike Genoa.

The primary commercial instrument was the commercial loan, the colleganza, and 90% of the time this involved a partnership deal. A merchant would provide all the capital and then get his capital back plus 3/4 of the profits, or he would put up 3/4 of the capital and get back his capital plus 50% of the profits. The entire populace supplied credit for the voyages and the whole system was self-contained and self-sustained. Merchants worked on a deal-to-deal basis. Accounts had to be settled within 30 days of a ship's return. The bill of exchange was never more than that - limited to the duration of its journey. Venice was content with its own ways and not interested in financing others. Commodity trade was the life blood of Venice, not finance.

When Venice declined in the 16th century, the major factor was external, the fall of Constantinople to the Turks. Venetians and Turks fought each other off and on for 250 years, and prosperity drained away.

This brings us to the Ottoman Empire, which was a strong and vigorous state in its heyday. It was full of large, populous trading cities. The grass roots level of the economy was what is described as the "bazaar economy", that is, a market economy centered around the cities and regional fairs where exchange followed traditional rules and was characterized by good faith.

In 1550 (when Genoa was on the rise), everything in Turkey was exchanged for cash - no papers, no loan-sheets or ledgers - and no credit transactions involving interest. Even under the influence of western merchants, this old way was slow to change. We have the occasional bill of exchange (suftaja), but its function was just that. A western merchant could transfer his excess balance from Constantinople to his agent in Aleppo without interest. There were no banks, or speculative transactions. What we do find are partnerships, Venetian style arrangements and credit without interest.

What we notice about commercial life there was the low prices of everything compared to western Europe. The further away you get from financial centers, the lower the prices. There were not a lot of actual coins in circulation, but

that didn't affect normal commercial life. The backbone of Turkish independence lay in the caravans which were strictly controlled by the state, thereby giving her control over her trade and resources. Most of her seas were protected as well. Furthermore, Ottoman merchants thwarted penetration by foreign merchants who were allocated their own quarters in the cities and kept under surveillance.

The decline in the Turkish Empire started around 1800 in the Balkans due to European influence. The advance of the European system proved destructive, the state lost authority, foreign goods flooded the market thereby destroying native industry, and the economy became sluggish. War also put a strain on the economy - especially the constant conflict with Russia.

So we see from these two instances that prosperity is possible without usury. A paper-based system is not the only alternative.

But to return to our theme of usurious growth, let's look at the notorious South Sea Bubble, which ensnared many people into the use of paper. The South Sea Bubble is, in effect, an accurate although dramatic manifestation of the cycle of reliance on paper money - sixty years of artificial growth compressed into 6 months.

Following the various wars with Holland, England had built up a rather large debt. In 1694, the Bank of England

was established to help fund William of Orange in fighting France, and was described by its founder William Paterson, as designed to "have the benefit of the interest of all money which it creates out of nothing". This is a clear articulation of the unreality of paper money. Then something had to be done about the debts generated by the government through the Bank. In 1711, all holders of government short-term obligations (some 9 million pounds) became shareholder, whether they liked it or not, in the "South Sea Company". This was designed to amalgamate England's floating debt into a single unified sum like the advertisements you see in the press to take one big loan to pay off all your debts. However, in this case, rather than being a loan, it was shares in a company. So while England's credit was good, her debts were enormous.

Short-term and long-term commitments (some secured on tax revenues for the next 80 years) amounted to 40 million pounds. All were at 6% interest. So the government had to find over 2,500,000 million pounds every year to pay its creditors, which was a vast sum in those days. The government was therefore on the look-out for ways of dealing with this debt.

They looked to France which was also deeply in debt and saw something quite interesting. A Scot, John Law, had been given free rein to establish a system which included the formation of an overseas trading company, popularly known

as the Mississippi Company. This was infamously known as Law's Experiment. He accepted government securities as payment for shares in the company. In other words, people exchanged the debts the government owed them for shares in the company. Because the company was backed by the government, the value of the shares increased dramatically - the price of a 500 livre share went up to 18,000 livres.

When the English government saw this, it thought it would be a jolly good way of reducing its debt, and so it decided to use the South Sea Company in the same way as Law had used the Mississippi Company. Government creditors were able to exchange their bonds for shares in the South Sea Company - for a sum - and get the dividends, if there were any. Within a year, 80% of these debts were converted into shares. The price went from 120 to 950 in six months.

Then things got out of hand. When the French Mississippi company was only able to bring in a 2% dividend, people's confidence in the South Sea Company plummeted. People sold and sold, and the Great Crash began. South Sea stock went from 775 points to 520 to 170 in 6 weeks. Anxiety led people to hold on to hard cash and coins disappeared from circulation and could only be borrowed at 5% per month. In Ireland, commerce was practically reduced to direct barter. The government had got rid of some of its debt and got more people used to dealing in paper, people who would have had absolutely nothing to do with paper before

this time. It was somewhat like convincing people to buy shares in British Telecom or BP in order to make them more at ease with a new type of financial transaction. More people began to think about making money from bits of paper. What we see here is a miniature of the whole bubble credit cycle which shows that unreal growth is entirely dependent on people's faith in it and once belief in it goes, there is an inevitable collapse.

Eventually, in 1816, England ended up on the gold standard, but by this point England was already using paper issued by banks. Gold and silver were only lesser currencies. The war with France required the export of specie (cash) to the Continent to finance the war, so Pitt persuaded Parliament to pass the Bank Restriction Act. It laid down the compulsory exchange rate for notes and made them "temporarily" non-convertible. This remained in force for 24 years. The bank notes- with no guarantee behind them - circulated without losing any value in relation to metal. A Frenchman living in England during the Napoleonic Wars said that he had never seen a single gold guinea the whole time he was there.

So the real guarantee for the paper was now neither gold nor silver, but the output and prosperity of Britain. And the size of the national debt was substantial - it went from 30 million pounds in 1748 to 834 million pounds in 1815. Even so, the popular press still showed unease at the use of paper money. The common people were scathing about the whole

process, especially in view of the fact that by this time it was child's play to manipulate the money market if you had the clout. For example, when the Rothschilds were excluded from the loans floated by the Barings to help finance the war with Napoleon, they bought up shares, bared the market, and forced the various governments and the Barings to back down and bring them in. Nathan Rothschild was able to force the Bank of England to discount his own personal bills by paralyzing the Bank by redeeming vast quantities of their notes for gold - 210,000 pounds in one day. Great power was now vested in the credit brokers, and it still made people uneasy.

The Bank of England tried to control the issuing of paper money by smaller banks to ensure their own monopoly. But on the other side of the Atlantic, the American colonies found it far easier to use promissory notes as money and Benjamin Franklin (who owned the press which printed the money) was a great advocate of this idea. In the middle of the 18th century, Parliament forbade the colonies to issue paper money and this was a cause of great resentment in America. Masses of notes called "Continentals" Were printed in the Revolution and soon they were worth nothing. The expression, "Not worth a Continental" became famous at this time, meaning something utterly worthless. But what it did demonstrate was that certain people no longer had any qualms about putting something into circulation that was

worth absolutely nothing.

The history of money has its own special chapter in the United States of the general credit trend encountered a hiccup there. There was always a certain animosity to banks, and debt, in certain quarters. Thomas Jefferson said that "banks are to be feared more than standing armies" and he stated that no nation had the right to contract debts not payable within the lifetime of the contractors, fixing 19 years as the limit of validity of such debts. There was a bitter conflict between the sound money men and those who loved to print paper to make credit boom. Andrew Jackson brought down the Bank of the United States in the 1830's by blocking the renewal of its charter, seeking a return to gold and silver and sound money. There was a determined shift away from paper towards gold and silver on the part of the people. This is the only instance where there was such a reversal of the general trend and is worth looking into

Meanwhile in England, the shift from commerce to financial income was well under way. In 1870, Britain had a third of world trade, by 1914 it only had a seventh. Overseas investment doubled in order to use up the credit which was too massive to be used up at home. The familiar pattern under way. World War I basically finished off Britain, leaving her with debts on which the annual interest was 326 MILLION POUNDS. The carrier of the credit/growth monster moved across the Atlantic. Genoa - Amsterdam - London -

New York. The bubble of prosperity, over stretching itself each time while growing bigger each time, moves on to batten itself on the resources of another location.

By 1930, the USA was the world's principal creditor. Mind you, at the time, the USA was sucking Europe dry by demanding the repayment of war debts which only came to an end in December 1933 (Hoover moratorium). Gold flowed into the USA, although by that time the USA and Great Britain had both gone off the gold standard. Beyond this point, we move into the massive debts generated by World War II, and we move into the arena of Bretton Woods and the IMF and paper currencies balanced against each other in terms of fictional money, with New York as the main financial center.

There are several things that we notice in this cycle. First there is the growth of commodity trade. This upsurge in prosperity brings in the money men, the credit brokers who can make money from money without trading in real goods. At this point, paper and transactions in money without goods, come into play to maximize profits for the credit broker.

This system is not in the best interest of the people and is recognized by the financiers themselves. There is a letter from the Rothschild Bros. to the firm of Ikleheimer, Morton and Van Der Gould (25 Jan 1863) in which John Sherman (future secretary of the Treasury of the USA) is quoted as saying;

"Those few who can understand the system will be...

busy getting profits... while the general public... will probably never suspect that the system is absolutely against their interests."

This system frequently generates deficit spending, which is financed by creating money and offering credit. This creates a great balloon of prosperity which far outstrips the real wealth in the system. It also generates inflation and creates a system which is intrinsically unstable. All this credit must go looking for someone who wants to borrow and this inevitably involves lending money to bad risks - insolvent governments - who default eventually because they cannot keep up with the interest payments which they must find from REAL resources or borrow more to pay off to interest on the credit. Does this sound familiar?

On the other hand, the system in which we saw real prosperity and growth were based on trade in commodities, rather than on making money out of money and creating money out of nothing. In those societies, partnerships with shared risk proved to be an effective way of obtaining credit. Also we note that the governments in these systems had strong controls over what went on in their markets. They were not, by any means,laissez- faire. Indeed, the Ottomans even had inspectors who went through the markets three times a week and severe penalties were imposed on anyone found to be illegally conducting business, including public humiliation. There must be some deterrent to prevent people

from yielding to the temptation of getting something for nothing.

To conclude, in the usurious system, to use Ezra Pound's delightful term, the bubble of prosperity, although enticing, is not real and eventually stretches itself to the point where there is nothing tangible to back it up as we saw in Genoa, Amsterdam and so on. The whole system must eventually break down because it is not based on anything real and the illusory prosperity will eventually be totally unsustainable. As we have seen historically, growth based on empty credit is fragile and intrinsically unstable.

USURY-FREE AND USURIOUS ECONOMIES COMPARED

To further describe and define the nature of an economy using the technique of usury, we can compare characteristics of three types of economy:

- A tribal economy
- The free market or credit economy of today.
- An economy with a bimetallic currency without usury.

But first, what is this activity that we call economy? It is almost impossible to see it, overlaid as it is with the effects and techniques of interest bearing credit, where the means of exchange - money - has also become a trade in itself.

Economic activity might be simply described as mutually beneficial exchange, the ways in which man provides for his material well-being. How this is done can determine social stability or lack of it. The activity does reduce down to human behavior. How a person makes an exchange or does business is based on their character. Economics has a social setting and is about social behavior and political relationship.

A view of other types of economy can make this clear. It can indicate what sort of parameters define an economic system and what is desirable and what is not. What a balanced economic system might be like. We can begin to define parameters of what might constitute a mutually beneficial exchange. So, we will start by looking at a tribal economy. Please note that these definitions are necessarily generalized as most economies of a particular type will contain some elements of other types.

A tribal economy was in a relative sense a closed system, limited geographically, technically and culturally. Exchanges of goods or wealth were intrinsically part of social relations, confirming kinship and client/patron ties in a hierarchy of family, clan and tribe. The Tuareg nomads (before the introduction of a cash based economy by the French), would rarely sell their main source of wealth, livestock, except in extreme situations. They might be given as dowries or gifts, or they might be lent to help kinsmen build up herds decimated by drought or disease, or given as blood-money to solve legal disputes. Social standing and sometimes economic survival were the rewards of these exchanges.

The behavioral nature of the exchanges were important. Men were praised for their generosity, fair dealing and hospitality. The system was communal and local and ethnically circumscribed. Exchange activity was further limited by the nature of productive activity. There was little specialization

and every household expected to provide for itself the essentials of food, shelter and clothing. Craft-based production required the simplest technology.

It was a subsistence type of economy, any surplus being by the grace of sufficient rainfall. Production was under natural constraints which were accepted and catered for in economic, social and political strategies, for example, seasonal moving of livestock to another region. It was not an economy that required continuous growth and it remained generally in balance with its environment. There were checks built into the social and political system to avoid over exploitation of the environment, for example, the allotment of specific grazing areas to tribal groups and clans.

So in general you have an economy limited in the actual amount and variety of exchange, that exchange being tied into social transactions, limited in geographical extent, economically constrained and controlled by environmental, social and political elements and lacking in a generalized means of exchange to extend the flexibility of barter. Usury was not generally a part of this type of economy.

When a cash currency or even barter goods are introduced from outside, the result has always been the destruction of the political and social organization of that society, a disruption of their strategies for survival. For example, this has been a major element in the settlement and absorption of nomadic peoples, or the destruction of their fragile balance

with the ecosystem in which they live. The introduction of a cash system had the effect of detaching exchange Transactions from a strictly social dimension to become one about exchange for consumption. It gave transactions a range beyond that of the tribe, breaking its restrictively local character and introducing economic, social and political elements that were foreign to it.

Diametrically opposed to this tribal economy is the 'free market' economy of today. The definitions of it given here are widely accepted amongst economists as classical definitions. The free market economy developed out of the medieval economy which itself had many characteristics similar to the tribal. A prerequisite of economic life in the market system, is that exchange transactions become detached from the social and religious spheres of life, to emerge into a special category of its own. This then allows, and the system requires it, the total monetization of all economic activity. Every task must have a monetary reward, and all must be involved in buying and selling. To quote an economist "the emergence of a separate economic sphere of activity visible within and separate from, the surrounding matrix of social life". An example from the early days of this economy would be the monetization of feudal dues. What had been given in kind or labor eventually had to be given as cash. Or today one can give many extreme examples where this process - the desire to put a price on every thing - has reached

its extremes and is part of the complete break up of our 'social fabric'. Residential homes for grandmother and grandfather and paid social workers are two examples.

Secondly, the stable and relatively unchanging state of the tribal economy contrasts with the idea of an expanding economy, a growing scale of production. In a system that had no economic responsibility towards men beyond the payment of the price asked - that price of labor or goods become a critical matter - the desire to get the best price became a necessity. Ideas of profit, of change, of social mobility, reflected the results of this monetization of society. Mercantile interests were imbued with ideas of growth from the new results of international trade and moneylending.

Again the classical description of the free market economy defines three basic constituents of the productive process, calling them 'factors of production'. These were labor, land and capital. The elements of production analytically defined and so changed to a form to be quantified, to be given a price. These do not exist as eternal categories of social organization. They might be seen as categories of nature: the soil, human effort, and the artifacts that can be applied to production but they do not naturally have the specific separation that distinguishes them in a market society. Land, labor, and capital are inextricably mixed and mingled in political and social relations in the pre-market society. How did these categories become distinct? All of them can be seen in the form required

by the free market to be creations of usury. Free, wage earning, contractual labor ceased to be a part of an explicitly social relationship, and become a quantum of effort, a commodity. to be disposed of in the market place for the best price it could bring, quite devoid of any reciprocal responsibilities on the part of the buyer beyond the payment of wags. As we have seen in our historical view, this labor was that of the peasant or copyholder, dispossessed of his land. As we have seen, moneylending was a major factor in these dispossessions.

A slight aside - but I think it is pertinent. This is no different from what is happening often in the Third World today. Credit and debt is the trap and the small-holding ends up as part of the larger estate. It is no different from the repossessed house or the bankrupt farmer here. As long as we have this mechanism of usury, the usurer will have his pound of flesh.

Our second factor of production is land, - rentable, profit producing land, that could be bought and leased for the economic return it could yield. This conception of freely disposable land having monetary value did not exist in the tribal or medieval economy where land was bound up in social and political ties and obligations.

In the free market it became a property with a market price. Dues and payments in kind gave way to a single return of rent. It followed that land had to be put to profitable use. This changed relationship to land and change of owner-

ship is again related to the activities of moneylenders.

Our third factor of production is capital. With the monetization and commercialization of society, property becomes expressible in monetary terms. Property was previously a sum of tangible wealth, a hoard, a treasury of plate bullion or jewels. A man was now worth so many pounds. Property became capital manifesting itself no longer in specific goods but as an abstract sum of infinitely flexible use whose value was its capacity to earn interest or profits. A transformation in thought from real wealth to abstract valuation, to calculation, to usury. The monetization of exchanges in the society and their consequent and necessary detachment from social settings resulted in major changes in the nature of social accountability in these transactions. No longer could obligation, custom, responsibility restrain men's behavior toward each other.

The employer's obligation to the laborer went no further than the payment of his wages and the landowner's responsibility for land no further than producing a profit from it. In the theory of the free market, and it had to have theory, as it was not a natural form of economy, a new form of it. Here it was seen as a pattern of social behavior that the environment of the free market itself imposed on society. Note here this reversal in control. What was this pattern of behavior? It was the drive to maximize one's income by concluding the best possible bargains in the market place. This was obvi-

ously not new in human terms but the system made it necessary. For example, when the peasant farmer sold a few eggs in the local market in the pre-market economy, these were not necessarily critical to his existence. However, with the monetization of labor, the profit-seeking market-transactions became predominant. Now every thing was for sale were anything but subsidiary to existence. To a man who sold his labor in the market in a society that assumed no responsibility for his upkeep, the price at which he concluded his bargain was all important. And so it was with the landlord and the budding capitalist. Men were not free to follow their self- interest - they were forced to follow it. As Robert L. Heilbroner said:"Thus a pattern of economic maximization was generalized throughout society and given an inherent urgency that made it a powerful force for shaping human behavior." The market mechanism was self-interest.

And how does a socially workable arrangement emerge from such a socially dangerous set of motivations? Adam Smith, the philosopher of the free market, says "Competition will control and adjust any unfair or excessive prices, wage rates and production quantities. So justice and correct social behavior became dependent on competition." From motivations of self-interest, of maximization of returns in the market place, it is a natural step to require increase, to require growth.

Growth was needed to supply the beginnings of a mass consumer market, to supply those who had been uprooted

from their self-sufficient existence. Growth in economic terms is an increase in the output of goods for exchange. The technique of the division of labor or specialization, with the needed application of large amounts of capital, borrowed at interest, financing the jump in scale from a home-based craft operation to a factory operation, was the essence of the production process of the free market. Growth was sustained by ever finer divisions of labor and ever greater injections of capital to finance new machinery and techniques.

The nature and scale of this industrial production makes social control and accountability difficult. Decisions affecting a community and its environment are made remote from it. Adam Smith theorized that such problems would be taken care of by natural market forces. That perhaps held good when the economy was made up of many small independent producers but did not take into account the consequences of the kind of growth that occurred when credit was freely available and continually expanding. Production became mass-production and the scale of operations resulted in competition becoming a destructive rather than a balancing force. Production became increasingly concentrated in the hands of relatively few. This resulted in price-setting and so ended the role of price competition and the theoretical restraints imposed by the consumer in the free market. In the modern version of the free market, business, labor and government have maintained a charade of this so-called consumer sovereignty (what peo-

ple want) but their remoteness of scale and bureaucratic organization make it difficult to bring them to account.

The requirement of finance for production, in the form of credit, had become a necessary fact of life, due to the scale of production and to the control of the form of the debt economy. But it has an echo, an echo down history, of the craftsman being indebted to his supplier of raw materials. What was usually the condition of thing in the bad times became permanent. The lender got power over the borrower by credit, and the situation became permanent.

Money has become credit. How did this occur? In the free market, where everything is given a cash value, money becomes of central importance. The devaluation of money itself from a precious metal commodity to paper, to electronic impulses, is the creation of the moneylender. Much of it is usury. And all of it had its origin in usury - the breakthrough of the promissory-note for gold handed on as currency itself. This paper allowed the vast expansion of credit. The exchanges internationally and the banks nationally were the means by which the credit was distributed. Their main business began as and still is the giving of loans with interest. Eventually, through the formation of central banks, the medium became a means of controlling the whole direction of the economy through manipulating the supply of money and the restriction or expansion of credit.

The free market saw the evolution of money from being

a passive means of exchange based on precious metals to being a control mechanism on the economy as a whole. Banking and modern monetary methods and theory are described in books as economics. They are not economics, they are something fastened onto economy.

They are in fact usury.

ECONOMY OF NATURAL BALANCE

Between the two extremes of the tribal and the free market economy there must be one of natural balance.

What elements would this 'naturally balanced economy' have? Such as: exchange to take place freely and yet there could be particular limits on exchange at just those points where we have seen it is necessary. These limits relate to justice and natural balance, and protect the stability of society by ensuring just behavior between men, in their economic exchanges.

It might also address the form and scale of economy so that exchanges are generally limited to transactions between individuals without anonymous technical or bureaucratic intermediaries. Particular concern would also be given to discourage transactions wherein one man can gain power over another in economic exchange.

Moderation over extremes such as an imbalanced distri-

bution of wealth, and growth or contraction of an excessive kind would also feature in this economy.

This economy does not have a theory about how it works, as it is based the natural system of simple exchange, hand to hand, that is universal.

Basic principles are dislike of unnatural increase, of uncertainty in transactions, of delay and deferment in transaction of the creation of debt, of speculation. It allows for the protection of the integrity of the means of exchange, and makes special stipulations about commerce in necessities such as food is defined in terms of exchanges that are permitted or not permitted.

It might be thought that this emphasis on the law would produce a situation hemmed in and constrained. This need not be the case in practice.

Because of the nature of what is allowed and what is not allowed it results in money and goods moving rapidly through the market. Exchange is immediate and simple, hand to hand, with no delay. Money changes hands rapidly and accumulation and hoarding are discouraged.

Transactions are completed before the buyer and seller part, with agreement, and in general nothing is left hanging over. There is no debt. It is the form of the simple market place, but there is no restriction in its expansion out to international trade, when there is a currency with value and

equivalence. The means of exchange is gold and silver itself, with nothing representing it.

These metals have always been universally accepted as having value in themselves, and in this they are like goods for barter. In this economy cash is only gold and silver. Equivalence between coinage and other forms of the metal is protected by the law and there can be no profitable trade in currency itself. Keeping gold and silver out of circulation by hoarding is forbidden.

The major prohibitions center round the question of unnatural increase, of usury, both on money and goods. For example when exchanging gold for gold (as in a currency exchange) or silver for silver either by weight or by number of coins, it is forbidden for there to be any element of increase at all in the exchange. This maintains the equivalence of different currencies, prevents trade in them, so gold is free to travel anywhere. It ensures that there is no unnatural increase that is made without effort. Delayed payment (credit) and delayed delivery of goods, creating debts, are prohibited in many transactions, and in general disliked in others as they open the door to increase by usury. Both delayed payment and delayed delivery of goods together in an exchange are forbidden, as this is selling a debt for a debt. Delayed payment and loans with increase are forbidden in all transactions.

The effects of these prohibitions are easy to see. With no increase on loans or deferred payments, credit will only be

given as a non-profit service. It will not happen so often and society will not be full of lenders and borrowers. Growth in trade and industry will be from internally generated capital rather than eternal injections - organic rather than artificial growth. Equality between men politically and socially in economic activity is undisturbed and so society retains its stability. The unnatural increase and growth required and caused by usury, the bringing of everything into its orbit and control, subservient to it, until it places institutions and techniques over economy, that look like economy and are called economy, but they are not. All this cannot occur.

Other major prohibitions center round uncertainty in transaction. For example, it is forbidden to sell fruit that has not begun to ripen on the tree. Stockpiling, cornering the market to raise prices, or underselling in the market are all forbidden. Exchange transactions involving food are given special attention. For example, it is forbidden to resell foodstuffs until you have physically taken possession of them.

As in the free market economy the factors of production, land, labor and capital are available, but the lack of credit financing, prevents concentration of production into large scale units. This results in a spread across society of a large number of small independent producers, both in manufacturing and agriculture, a situation that maintains to a degree both craft production and self-sufficient agriculture, and allows many more people in the society to be their own masters. Ventures involving capital would usually be partner-

ships of merchants together for that purpose and then dissolved again. The scale of capital would not be large.

So there you have the three economies. They are incomplete and simplified views but I think they give a taste of other possibilities.

The sort of limits put on economic activity that we have described, that protect social stability and make those engaged in transactions accountable, would virtually rule out all economic transactions that occur in our society today. Community trading, future trading, currency trading, stock exchange, speculation, bank financed development, hire purchase agreements, mortgages, unit trusts and so on and so on..

THE SETTING

THE aim of this part of the program is to provide an answer to the question "What kind of society is it that not only permit but canonize and actively encourages usury?" I believe that this is a question of central importance since our answer is in fact the point of this seminar not subject of it but certainly the point, because in the end it is not just a question of usury.

We have heard so far today about the real definition of usury and about the traditional attitudes towards it, from Plato and Aristotle in the classical tradition and from Judeo-Christian sources in the Bible. We have noted the progression from St. Augustine at the beginning of the Dark Ages in the 4th century A.D., to Thomas Aquinas in the Renaissance nearly 1000 years later, re-affirming Aristotle's judgment that usury was a barren form of money-making and as such was unnatural and so unjustifiable.

We have seen how attitudes began to change from the

Reformation in the 16th century, through the English revolutions of the 17th, and the forging of modern banking practices, particularly in London, Genoa and Amsterdam by the 18th century.

We've been given a vivid picture of the seriousness of the current state of affairs in the world and the essentially negative contribution, not to say outright delinquency, of financial agencies at this critical time. We've seen how modern men and women have been persuaded - collectively and on a global scale - to make the great leap of imagination required to imbue with value inherently worthless fiat money - money that doesn't even represent real wealth - and this despite repeated disastrous crises of confidence with whole fortunes being wiped out practically overnight.

All of this makes me want to stop for a moment and wonder about the how and why of these things. And having considered where all this has come from, to imagine where it might all be leading.

The point for me is; "What is it about us, about modern people, about the modern world, which has allowed usury to become such a huge part of our lives?" Why was it so roundly condemned by 18th century moralists like Kant, who, towards the end of that century in 1795, spoke of "the ingenious system of international credit invented by a commercial people in this century which shows the power of money in

its most dangerous form?

I would like to show in this paper that the answer as to how and why usury has come to dominate economic affairs lies in what can and should be viewed as a general decline in morality and ethical behavior. In order to do this I will give a brief sketch of two distinct, and in many ways, opposing world views:

- on metaphysics and the nature of reality.

- on the role and scope of human reason.

- on the basis of ethics.

Historically these two views began in practice to diverge significantly over just this period we have been looking at, from the Renaissance, through the Reformation, early modern times and the Enlightenment to the Victorians and to date. Over this period one widely accepted world view has been supplanted by another; though I should emphasize that I am not suggesting a "good old days" scenario, at least as far as Europe is concerned. By world view or 'weltanshanung' I mean the inner Landscape, the whole world of meanings which we inhabit as human beings. We might even go so far as to say that in the last 500 years or so human beings' understanding of themselves and their world - at least in the West, and of course our Western world view is rapidly predominating across the world in this century - has changed more radically and fundamentally than at any other period in

history. I find this significant - so what I'm going to do then is to outline these two ways of looking at the world and to show that usury is but one, albeit an important, facet of what amounts to a moral issue, in fact the moral issue, since we will be talking about the principle of right and wrong' or 'good and bad' and not any particular instance of moral or immoral behavior such as honesty or lying, charity or theft, philanthropy or usury.

In order to give even this outline sketch, I hope you forgive me if we have to go a little slowly because I want to make sure that the issues at stake are quite clear. I will describe in philosophical, social and psychological terms those aspects of our modern society forming the context in which usury has found such fertile soil.

The first overall philosophical position, or world view, holds as a basic and fundamental principle that not all realities have a material existence: that an abstract or " intelligible" world, to use Kant's term, has its own transcendental or metaphysical reality beyond and distinct from the material or "sensible" world of time and space that constitutes the immediate facts of our workday experience. It is not easy to speak succinctly about this distinction between abstract and concrete, but a few examples will clarify things and I'm sure you all know what I'm getting at, although there are curious implications in this potentially, though not inevitably, dualist doctrine.

This Platonist conception of abstract entities is perhaps

best illustrated by numbers. Certainly it seems clear that a number has no material form - how many twos are there in this room? Show me three-ness - What is the ten-ness of, for example your fingers? The talk of discovering rather than inventing new and ever greater prime numbers clearly seems to indicate that they are somewhere 'out there', independent of our cognition of them, waiting in the wings, so to speak

Consider also the game of chess, for example. What is chess exactly? The sum total of all boards, pieces and moves? This would be a taxonomic view - identification by labelling. Or is chess essentially the rules by which the game is played? And if so, what is the ontological reality of these rules? That is, in what do these rules have their being? Not their existence, since that term is properly restricted to material facts, but their being - where are the rules of chess or any other game or rule-governed activity for that matter? Now what about such qualities as beauty, truth and justice? We do seem to be able to recognize and respond to these things in some innate way, but what are they?, and where do they come from?

Here there are, in fact, two answers. The first, which corresponds to the view I have been discussing, is that their reality is abstract just as numbers are abstract and just as, I will argue, the moral imperative, the truly moral impulse to do good for its own sake, must be abstract in that it IS, it has its being or reality, prior to any context in which we might identify its working. We need a name for this view, so for

the sake of convenience I will call it the "Right View".

The other view holds that everything is material, exists as matter in time and space, and is governed by the "laws" of motion and other physical laws conditioning the behavior of particles, elements, compounds and so on, so that number, truth, beauty, justice and the rest exist only in our cognition of them, which is to say, exist simply as electrochemical impulses in our brains, for which we are biologically pre-programmed.

This view is certainly not modern, it was known to the ancient Greeks who called it atomism and it doesn't seem to have been taken particularly seriously by most people until modern times, by which I mean the last few hundred years. For the sake of simplicity and consistency we can perhaps refer to this view as the "Wrong View".

Turning now to ethics - the science of morals - what does the Right View have to say? In this I am most familiar with the work of Immanuel Kant, whose beautifully lucid, profound and compelling arguments for the absolute, '*a priori*' abstract and ideal nature of true morality makes his 'Groundwork of the Metaphysic of Morals' essential reading. To quote from the introduction to H. J. Patons excellent translation, this book's message "was never more needed than it is at present when a somewhat arid empiricism is the pervading fashion in philosophy. An exclusively empirical philosophy, as Kant himself argues, can have nothing to say about morality: it can only encourage us to be guided by our emotions, or

at best, by an enlightened self love, at the very time when the abyss between unregulated impulse or undiluted self-interest, and moral principles has been so tragically displayed in practice".

Kant says basically that there are three kinds of "good" - we use the word "*good*" in three different ways and this distinction is central to my argument and so please excuse a short digression into moral philosophy. Firstly, we have good in a technical sense - a good pen, a good design, a good idea. These are good precisely in relation to the extent to which they accomplish practical goals or ends - we can say that this kind of good is 'ends oriented' or empirical, contingent upon results.

The second kind of good Kant called "prudential good" and it relates to wishes or desires and emotional gratification, both for ourselves and others, in general as in "a good time", or "a good film, a good conversation, or a good cause even. Both of these kinds of good are relative to or contingent upon, worldly goals and the Wrong View of course holds that these are the only kinds of good possible. Whole philosophies of far-reaching impact have been generated by this view of the basis of morality - for example, Benthams "Utilitarianism" developed by J. S. Mill in the 19th century and currently in favor with, among others, the Conservative Party and its supporters - the greatest good for the greatest number - with "good" measured entirely in technical and prudential or pragmatic terms.

Kant's view of this kind of morality he makes clear.

> "Hence everything that is empirical", he says "is, as a contribution to the principle of morality not only wholly unsuitable for the purpose, but it is even highly injurious for the purity of morals; for in morals the proper worth of an absolutely good will, a worth elevated above all price, lies precisely in this - that the principle of action is free from all influence by contingent grounds (the only kind that experience can supply). Against the slack, or indeed ignoble, attitude which seeks for the moral principle among empirical motives and laws, we cannot give a warning too strongly or too often; for human reason in its weariness is fain to rest upon this pillow and in a dream of sweet illusions... to foist into the place of morality some misbegotten mongrel patched up from limbs of very varied ancestry and looking like anything you please, only not like virtue, to him who has once beheld her in her true shape. To behold virtue in her proper shape is nothing other than to show morality stripped of all admixture with the sensuous and of all the spurious adornments of reward or self love. How much she then casts into the shade all else that appears attractive to the inclinations can be readily

> perceived by every man if he will exert his reason in the slightest - provided he has not entirely ruined it for all abstractions".

For Kant the moral law, the categorical imperative to act correctly in all matters is something necessarily true, just as 2 and 3 is necessarily 5 whether anyone thinks or believes so or not.

Now this Right View is not really provable in the sense of demonstrable or verifiable, and Kant acknowledges this. We are operating here at the extreme limits of human enquiry and our only tool is pure reason."We can only defend" says Kant, that is we can only defend our rationality - ultimately explanations are impossible since explanations require reasons, reasons are causes, and eventually there are actions which are not themselves caused and so have no explanation.

These things - of which true goodness is one- do not exist in this world, they are timeless and abstract and as such are not susceptible to change, decay or corruption - "goodness", which subsists in the 'four duties' - never to harm oneself or others and to help oneself and others whenever possible - is moral bedrock - the ethical gold standard.

The Wrong View rejects all of this. Morality is only contingent since nothing is abstract - morality is inevitably concerned with interest, interest in goals to be achieved, satisfaction to be met. Now I would say that this cutting loose from the "gold standard" ethically speaking, had been the root cause of

the major personal, social and philosophical problems of our time and this is the central theme, subject and key to this paper. So now, having identified and defined the nature of the problem, how does this relate to usury? Well as I said before, usury must be seen not only as directly causing many of the social, political, economic and ecological difficulties and disasters of today - as we have seen and will see in the rest of today is seminar -but it must also be seen as a direct result of the abandonment of the traditional and time-honored understanding of the fundamental realities of ethics and metaphysics.

We might even go further and suggest that the Right View was attacked and broken down deliberately and specifically to allow the introduction of usury on a large and "legitimate" scale. This might sound like some alarmist conspiracy theory, but then again there were certainly enough people sounding a warning against usury and accurately predicting its consequences to suggest that those ultimately responsible for the new financial developments of the 17th and 18th centuries were not unaware of the implications of what they were doing and may even have welcomed them.

Again, if ethical principles are essentially abstract and imperishable, how can something immoral be re-negotiated by human beings? Can we decide that circles will henceforth be square, or that two plus two will equal five by the end of the financial year? But, of course, if good and bad, right and wrong, are only what thinking makes them then to quote

Nietzsche, "Nothing is true, everything is permitted", included all manner of injustices and selfish behavior - as long as no - one complains too loudly or as long as you can get away with it. A very convenient philosophy for usurers.

Although our main interest this seminar is usury, I think it is significant and worth mentioning that the change from Right to Wrong View has also resulted in problems in the psychological sphere. It has been argued that the modern individual has a different experience of himself from his ancestors, who knew that however uncertain and uncomfortable the vagaries of this world, the true world of eternity was a solid reality beyond appearances, a source of meaning and value in life.

Since men have made themselves the only measure of the universe people have experienced an increasing alienation and isolation from their world and from others in it. When individuals have to decide for themselves the parameters of their existence metaphysically and ethically, the ego finds itself thrust onto center stage and suddenly strangely unsure of its lines. No wonder most people would prefer not to think about it; its not surprising that when it comes to education cuts the Philosophy Departments are the first to feel the bite of pragmatic government policy. Most of us just do not really want that kind of stress, and then we are all victims of the Hollywood Syndrome, we are all the stars of our own docudrama, in my case its 'The Life of Ibrahim', loosely based on the facts and also featuring in supporting walk on

parts and in descending order of importance, my family, my friends, my acquaintances, and only then everyone else in the world I'm not going to meet or ever be concerned with to any great extent, bit players or my stage.

When morality shrinks down to self-interest - enlightened or otherwise - and psychology throws up increasingly alienated and confused mentalities, social disorders become inevitable, and America is probably the best example of the way things are going. Things are going west, and this is because we have for centuries been rejecting the Right View of reality and embracing the Wrong View at the behest of those who have most to gain.

And here I might just for a moment abandon the stance of resolute objectivity which I have been careful to maintain, and say that in my view, in the light of what I have mentioned of the failure of contingent morality to provide a workable basis for society, the Wrong View is certainly wrong; even though it is quite difficult at times to make moral judgments, traditionally men have turned to God for guidance, and Kant's controversial claim was that pure reason could confirm the ethical validity of God's Decree in conceiving the categorical imperative, the moral law.

So to return to usury - my objection is not simply that usury is wrong because it doesn't work; because it results in practical difficulties, it needs to be controlled so it doesn't get out of hand and start producing all kinds of problems-

which is the Catholic Church's current view of the matter, according to a recent Vatican publication on the problem of the Third World debt crisis.

No, it's simply the case that usury is objectively, absolutely and categorically immoral. Of course, unethical activities are the cause of undesirable effects, but this is not why they are unethical. When our society moved the goalposts, changed not only the rules but the whole basis of ethics by allowing usury in, then having accepted one form of immorality it was left with no solid defense against the breakdown of the whole moral order. We are reaping the results of this process today.

To finish I would like to give two examples of modern pragmatic thinking which I think show clearly that the answer to our initial question "What kind of society is it that not only permits but condones and actively encourages usury?", is that it is one that has somehow floated free from the moral gold standard', which has renounced Kant's categorical imperative, the pure impulse to do good for its own sake regardless of technical or prudential benefit and which is itself based on a knowledge and understanding of the necessary realities of the unseen, intelligible world and a reverence for its laws. A reverence which, Kant says, is the result of fear and inclination in equal proportion.

The first example is of one of the fundamental and inescapable problems for the pragmatist.

The other morning my children incurred my displeasure by pulling some large sprigs off a rosemary bush in a public planting outside a supermarket and attempting to sell them to passers-by at 10p a sprig. "But there's plenty of it", they objected when I remonstrated with them."That's not the point". I said. "What if everyone pulled bits off the bushes, then they would be a terrible mess". "But they don't", was the inevitable reply, "and anyway if they did, it wouldn't make much difference if we did too, would it? "

This exemplifies in a nutshell what is known to logicians as the problem of collective action and to economists as the problem of public good. In the example you can see how the decision to pick the rosemary is rational, whether others do or not, and there would be little point in not doing so if other people were. If this is rational though - and it's held to be so - then everyone ought to do it if they wanted to although paradoxically no-one wants a ragged and vandalized public environment. The problem then is basically that rationally consistent self-serving behavior is self-defeating, "the apparently rational course of action leaves people worse off than they need to be", to quote an article on the subject which appeared in the TIMES written by three Professors of Philosophy, Politics and Economics at UEA, which concluded that there was no rational solution to the problem even though it is frequently solved in everyday life. People do give to charity for example. In this case it would always be rational not

to do so, since if other people are giving, your 50p isn't going to make much difference, and neither would it if no-one was giving the paradoxical result of this reasoning is that there would be no charity at all if everyone took this position, although no-one would want that.

In brief, if other people are doing it, I may as well not, so then no-one does it which is a result no-one wants, we'd all prefer that everyone does their share. And, of course, no-one wants to do it by themselves.

This is the rationalism implicit in today's morality - it's empirical and pragmatic, collective action based on interest, rational, pragmatic self-interest.

The funny thing is that many people do want to take on public duties, even if the majority selfishly decline. Many people do refrain from picking the flowers or littering the streets - but why?

Plato's view, which he took from Socrats and which he held to throughout his life, was that injustice harms the wrongdoer, an immoral act has inevitably negative consequences for the person who commits it. All of us who recognize the truth of this in our deepest reflections, have accepted the Right View of idealistic realism as against pragmatic rationalism. This connects to our theme of usury as we have seen by virtue of the fact that usury sprouts in the fertile soil of pragmatism, that usury is now revealed as the fruit of the

decay of idealism.

Usury is often defended by the claim that no-one would want or have any reason to lend money, which is a necessary part of social and business life, if there was no interest on the loan: that altruism and philanthropy - as moral qualities - are not sufficient motivation. I say this is a sceptical view of human nature - it certainly seems justified today, the dominant pragmatic rationalism as exemplified in the problem of collective action, cannot construe a functioning and complex economy without self-interest as a necessary condition, a '*sine qua non*.'

This also means that the solution to the problem of usury is not and cannot be pragmatic, the solution lies in the recovery of morality. You see, the setting aside of usury would be a public good; unfortunately, left to himself, modern man cannot help but fall into the pragmatic trap.

The urgent question is then, why do and what can make people, cooperate collectively in the public good against their own self-interest? One solution has traditionally been a strong central authority controlling people's individual liberties to the necessary extent since many people are unable to freely restrain themselves - which is the only true and noble freedom - not anarchy or libertarianism, but the freedom to commit oneself to the conditions of being human.

Thomas Hobbes, an early English empirical philosopher, was stumped for an answer. "A power over us all" was need-

ed he decided.

And with that intriguing thought I will go on to my last example, which I think shows how confused the present moral climate is.

It is taken from an article which appeared in the *Guardian* a short time ago under the title *"A certain idea that the rest of the world may be wrong"* a confusing enough heading in itself, equating as it does the idea of certainty with that of the possibility implicit in the verb 'may' - we can be certain that others are wrong, or we can suspect that they may be - but surely we can't be certain that they may be! Of course the heading is a typical Guardian play on words, so perhaps it is intended to echo the self-declared uncertainty of the rest of the piece.

Beginning with a reminder that the original zealots were the fundamentalist Jewish sectarians who killed themselves and their families rather than surrender to the Romans at Masada, the author, Geoffrey Taylor, goes on to ask "Where does conviction end and zealotry begin? " On what basis do we decide the right and wrong of people's opinions and beliefs - when does passionate conviction in the rightness or our own views entitle us to oppose or suppress the wrong ones of other people? For this Taylor has no answer because, crucially, for him there can be no certainty in belief of any kind. He rejects indifferentism - which holds all value systems equally authentic, and nihilism, in which all are equally suspect, but can only

suggest - in place of conviction - that we "distrust any assertion which expresses a certitude, and experiment for fruitfulness among those which do not" - practically a text book definition of pragmatism and typical I would say of contemporary ethics. And why is certainty to be mistrusted? Because "if certainty is unobtainable in science, which no-one now seriously doubts, why should we expect to find it in disciplines not open to measurement?"

My point is that ethics is beyond the reach of telescope or microscope, beyond any scope of measurement or calculation, beyond the grasp of logic or instrumental reason even - and it may be that we can be better guided by our hearts than our heads. Certainly tradition has recognized the heart as the true seat of the intellect.

In conclusion perhaps I can restate my argument. The widespread practice of usury, defined as immoral economic transactions, is the result of the abandonment of idealism in favor of empirical, rational pragmatism. Certainly the development of the two has gone hand in hand.

There were three main causes and have since been three widespread effects of this shift from idealism to pragmatism; firstly, individualism and psychological alienation - the Hollywood Syndrome; secondly, socio-economic injustice, of which usury is the main symptom and political instrument; and thirdly, the loss of belief in intangible realities, the spiritual or "unseen" world.

These three problems are part and parcel of a single issue. As regards usury then the remedy is not available to us unless we are prepared first to cure ourselves, we must not think that we can solve today's problems individually and out of context - at the heart of all the issues is the need for understanding, for good character and for correct ethical behavior.

Well, thank you for your attention - I hope I haven't labored too many a simple point or avoided too many problematical ones. My hope is that I have brought into some focus at least the ethical dimensions of the problems of usury and our society and hinted at the possible direction of a solution.

USURY AND ITS EFFECT ON THE ENVIRONMENT: A LOCAL VIEW

AN article in a recent issue of "Natural World" the magazine of *the Royal Society for Nature Conservation*, begins in the following way:

> "Let us get one thing straight from the beginning. The battle for the countryside has been lost. The struggle now taking place is a last despairing attempt to salvage something from the wreckage....
>
> "Most of the old order - the great wetlands and woodlands, moors, heaths, hedgerows and flower meadows - have been swept away and replaced by new landscapes which are all too often dreary, disfigured and hostile to wildlife."

> "Endangered, damaged, lost, destroyed... even in the dispassionate statis of scientific record books the same bleak words ring out again and again. They are the sounds of nature being driven under; hammer blows for crumbling habitats and vanishing species...
>
> "Who could have foreseen 30 years ago that the countryside would be overturned not by urban sprawl but by the ponderous momentum of modern agriculture? But market forces, allied with new technology which can wring every last ounce from the land, have transformed the face of rural Britain. A triumph for farming; a catastrophe for wildlife..."
>
> "The miracle is", the writer concludes, "that anything has survived at all." (See B. Jackman and T. Paskell, "Nature in the Balance", in the Spring /Summer 1986 issue of "Natural World", RSNC, pp. 13 - 14).

The figures speak for themselves. Now in the 1980's in Britain, 40% of the natural woodlands have been lost, as have two-thirds of the natural coastline of England and Wales, 95% of the hay meadows, 80% of the chalk grassland, at least 30% of the upland grassland, heath and blanket bog, and over 50% of the marshes and wetlands, along with

widespread pollution and canalization of waterways. (See, for further detail, "Natural World", Winter 1985, RSNC, pp.24-33).

And this situation is reflected in every country in the world.

The above-mentioned writer puts the blame on the "ponderous momentum of modern agriculture", referring in particular to "market forces" and "new technology". Let us look a little closer at these so-called "market forces" as they apply to agriculture, and it will be apparent how usury, and this usurious economy that we have been talking about today, has its effect in ultimately destroying the environment.

I would like to take one example from Norfolk, the Broadland grazing marshes, which illustrates this process on a local level, and it is a process which is happening in greater or lesser degree all over the country, and for very much the same reasons. Small, locally-based farmers are being forced to give up traditional low input-output farming practices, which are conducive to a clean conservationally high-value environment, for intensive semi-industrial alternatives, which in their turn destroy the unique plant and animal systems which give the area its particular value and attraction. The reason behind them doing this is, quite simply, because the pressure is on for them to increase production so that everyone can get his money moving and pay off his loans, always with the extra pressure of interest included, of

course. The banks, as we have seen, have to get their money on the move in order for them to be able to make their own money and pay off their own debts. Governments have to do the same, for exactly the same reasons. Farmers, though, are not in a position to make money out of money. They have real wealth, i.e., land, which is finite and thus does not increase with regular increments of interest, and so for them to make money and meet their interest payments they have to increase production, whatever the cost to the environment.

The grazing marshes of the Norfolk Broads form an integral part of the Broadland ecosystem because they provide not only feeding areas for birds which nest around the waterway, such as herons and marsh harriers, but also because they provide the remaining large refuge, in their dykes, of the water-plant and animal communities now almost completely lost from the waterway itself. They now form the principal location for such nationally rare species as the Norfolk Aeshna dragonfly, which is confined to this part of England. There was also a Norfolk Damselfly, but that has already become extinct in England, having last been recorded from the Norfolk Broads in 1957.

The area also harbors large numbers of winter bird visitors, such as Bewicks's swan and bean geese, sometimes in flocks of national importance, in addition to holding significant breeding populations of wildfowl, waders and other grassland nesting species such as yellow wagtail, for which

the area is also of national importance.

These marshlands, after a long period of relative stability, are now threatened by further agricultural change. The traditional summer pasturing of stock has become uneconomic, owing to UK and EEC agricultural policies, and there is a pressure on the farmers to increase productivity through deep-drainage and conversion of the land to high-yielding grass and arable crops. This means larger fields, reduced dyke lengths, and reduction of the dyke water levels. This inevitably reduces the area and viability of the present dyke aquatic-plant communities and their associated faunas.

The reasons why stock pasturing has become uneconomic lie in the political manipulation of agricultural policies, particularly those relating to subsidy and price-support, these manipulations all being, as we have seen, the result of, ultimately, the same economic pressures, only higher up the scale, as it were, as far as the Government is concerned. These policies have encouraged farmers in Broadland, and elsewhere, to take livestock off the marshes. Consequently cattle, the mainstay of the marshland landscape, are disappearing. At the same time, Common Market cereal producing policies are encouraging farmers to deep-drain and convert their grazing marsh to arable crops or high-yielding grass. The intervention prices of many arable crops, e.g., soft wheats, are now sufficiently high to give farmers a guaranteed return on the conversion investment, despite recognized over-production within the EEC.

In other words, despite the lack of need of the crop, farmers will grow it because it guarantees them a return, and they need that return to pay off their debts as soon as possible, especially since these debts are otherwise constantly increasing through the ever-increasing addition of interest.

Coupled with the operation of EEC agricultural policies are grants available through MAFF (the Ministry of Agriculture, Fisheries and Food) to help farmers improve field drainage. These grants range from 37.5% to 50% depending on the scheme chosen, and are awarded open-handedly without any formal cost-benefit analysis. If they show an increase over a notional period they are awarded. So, if the grant is of 37.5% there is another 62.5% which has to come from somewhere else, or, if it is 50%, there is another 50% which has to come from somewhere else, i.e., the banks, who will be more than willing to loan it since the crop is one which, with the present policies, will guarantee quick returns and allow them to reap their interest to pay off their own debts as soon as possible. And if anything should go wrong, they always have the land as collateral.

A further major reason for land drainage improvement is the obsolescence of many of the existing drainage pumps. Internal Drainage Boards have been unable to establish a capital fund for their replacement so that when a renewal becomes necessary they are obliged to seek MAFF grant aid, and, of course, to borrow the rest. These grants from MAFF,

of 50% are only available where a cost-benefit analysis shows improved agricultural production over a 25-year period. The remaining 50% must, as we have said, be borrowed, and the repayment and servicing of interest can only be met through an increase in the drainage rate. Thus Internal Drainage Boards, in order to attract grant aid, are encouraged to invest in efficient high-capacity pumps which allow for large-scale deep-draining, while the farmers, faced with a substantial increase in drainage rates and a poor return on stock grazing, are obliged either to sell up if they are unable to adapt their enterprise to arable farming, or under-drain and convert.

What is important to note here is that whereas usury is clearly involved in the bank loans that the farmers, or the Drainage Boards, take out to make up the non-grant portion of the capital required in any of these cases, usury had almost certainly already been involved in the money which is being given as grant aid, since this latter is, of course, generally raised through interest-bearing bond issues on general funds raised at interest on the money-market by the government or authority concerned.

Thus both farmers and Internal Drainage Boards are seeking grants from the Government, whose money is already tainted with interest; both also need to borrow substantial sums from the banks to make up the difference. The Drainage Boards can only pay off their loans, with the extra

pressure of interest always in the background, by increasing their rate of drainage, whilst the farmers, faced not only with this increased drainage rate but also the bank-instituted, national and international policies aimed at growing as much as possible of what will bring as quick a return as possible, are forced to continue to increase their production in order to pay off the debts they incurred in their conversion investment.

All this means that a combination of cash inducements, grants, and price-support, all of which lead to a further increase in the attendant bank-loans and subsequent burden of mounting interest, have lead to a substantial increase of drainage and arable conversion on the grazing marshes. This in turn, has led to a corresponding decline in the variety and cological value of the land along with the attendant problems of increased pollution. It has also led to a corresponding increase in the inducement of everyone concerned, whether farmer, Drainage Board, Government, or EEC, to become ever more deeply involved in the international banking system, which, ultimately, dictates the policies of them all.

A report prepared in 1982 by the Ecology Working Group of the Broads Authority, entitled "A strategy and Management Plan for Broadland", commented on possible future changes in the following way: "In considering ways forward it is important to note that farmers are as much the victims as the beneficiaries of present agricultural policies.

Given declining profits, patterns of incentives and subsidies, and constant exhortations to improve production and efficiency, farmers are increasingly unable (and in some cases now perhaps unwilling) to manage their land to retain significant wildlife habitat and a varied landscape. They just cannot afford to. The imposition of planning controls on top of the present agricultural policies would only lead to further divisiveness within the community. What is called for is not swinging controls at the farm level, but a radical re-think about agriculture and the role it should play in an environmentally sustainable rural land use strategy. Without this we can really only tinker at the margins." (See *"A Stratgy and Management Plan for Broadland"*, Report of the Ecology Working Group of the Broads Authority, 1982, p .57; for further details of the above, see also pp. 27-29 and 56-58).

Since 1985, the Government has agreed to offer compensation payments for farmers for them to retain the traditional stock farming on certain areas of the grazing marshes. This is being done under a three-year experimental scheme, the viability of which was considerably enhanced following designation of the Broads as a whole as an Environmentally Sensitive Area (ESA) in 1986. A large proportion of farmers in the eligible areas have in fact opted for this scheme, which guarantees them 50 per acre if they retain the traditional stock-grazing form of management. As a result, so-called drainage "improvements" have temporarily ceased in all but a small frac-

tion of those areas of grazing marsh which come under the scheme. (See, for more detail on the above, the Broads Authority's "Broads Plan" (1987), pp. 40 - 58, especially pp. 48-49).

However, if this seems to be a success on the part of the conservationists, one should remember that the basic agricultural policy of the Government has not changed, and, indeed, in the climate of the present usury-based economic system, with its intractable demands for ever-increasing growth and improved production, it cannot change. It just cannot afford to, as in the case of the farmers. What is happening in the case of the compensation payments is that a symptom of the disease is being covered up, while the main cause is being left untouched.

This, as we said, is a local example, but it is an example that is being repeated, in essence, all over England, indeed, for that matter, all over the world (the Brazilian rain-forests being an obvious example). The environment is being, or has been, changed for the worse, and in some instances destroyed, because someone somewhere wants a quick return, by interest, on money that he has lent, while someone else is forced to do something whose destructive impact he may well fully realize in order to get a quick enough return to pay back the first man what he owes him.

A Lakenheath farmer whom I met recently told me of a man he knew-another farmer- whose wife had came in one

evening to find her husband in tears, with an empty whisky-bottle on the table beside him, - a situation in which she had never ever seen her husband before. When she asked him what the matter was, he said "I had to mow that marsh" referring to a favorite piece of marsh that he had until then been able to retain in more or less its natural unspoilt form, but which he had now had to mow, and thus destroy, in order to convert it to arable. And this was solely because he was under pressure from the bankers to increase his productivity and thus his cash returns.

The point is that a whole environment makes for a whole man. Diversity in the environment makes for diversity in man. Diversity of species depends on there being pure air and pure water, and, ultimately, it is pure air and pure water, i.e., a pure environment that are necessary for a pure human being, one who is pure both inwardly and outwardly..

The other essential requirement is pure thought and action, of which greed and the taking of interest are not a part.

USURY AND ITS EFFECT ON THE ENVIRONMENT: A LOCAL VIEW POSTSCRIPT

WHEN the system of governmental price support began in 1947, farming was in a low gear; production was low compared with what it is now, and the costs were more or less in proportion. As years went by, successive Governments, under their own pressures of paying off money borrowed at interest on the world's money markets, called for higher levels of production, couched in the language of increased self-sufficiency.

In 1979 the "Food from Britain" campaign began with maximum production now the target. But to get the highest output from the land, you must put in the highest and most costly inputs, and that means more money that has to be borrowed and more interest that has to be repaid, but if the increased output is there it seems to be worth it. The farmers went along with the idea of top-gear farming, but most of them did not have the surplus capital available. So they went

to the banks, in their thousands, and borrowed millions of pounds more; their total indebtedness to the banks and other mortgages went up to an estimated 6,000 million pounds where it had previously been less than 2,000 million pounds. Over- production did not matter. With the Common Agricultural Policy, farmers were guaranteed fixed prices as long as they grew the right thing.

The banks were happy. This agricultural policy suited them, since it guaranteed returns from the coffers of Europe. And in any case, they had people's land as collateral. In fact, the clearing banks and the larger merchant banks, which had been lending money to agriculture on an increasing scale, also spent large sums on advertising to the British public the advantages of the Common Market, especially the Common Agricultural Policy; and those who lent the most to the farmers were the ones who spent the most on advertising.

The banks were not the only ones who were happy. The agrochemical industry also know that there was no money to be made out of low-geared farming, and that the more highly-geared farming became, the more the agrochemical industry could sell its wares. Its sales to farmers were but a few millions in 1946. In 1982, however, the value of such sales was no less than 1,350 million pounds. To buy such vast amounts of agrochemicals - as always, of course , with the aim of increasing production and thus immediate cash returns- the farmers had to borrow even more, always of course

at interest. ICI, one of the main companies providing agro-chemicals, admits that this is its most profitable branch of activity and that it has become its largest. It has invested hundreds of millions of pounds of capital in developing its agricultural interest (to coin a term), and, like the banks, it too has spent large sums on promoting the present agricultural policy of ever-increasing growth and expanding production.

Thus Government grants and price-supports, which are themselves redirected money borrowed at interest, along with substantial pressure from banks and the large agro-chemical companies like Shell and ICI, have combined to induce farmers to borrow ever-increasing sums to further increase their production. And so the spiral goes on.

Discussing the factors leading to a rise in costs affecting the bread prices in Canada, a leading Canadian economist, writing in 1975, points out another way in which usury enters the picture in its usual parasitic fashion. "Land costs", he says, "have already been discussed as a critical factor in the general cost-price squeeze on farmers... The main beneficiaries from land transfers are real estate brokers who on arranging a sale of a two-section farm on the Regina Plains could net $19, 200 with a 50% commission. This cost must ultimately be added to the cost of food along with the payments of interest that follow the transaction.

"The cost of mortgage credit", he continues, "is the most

inflationary of all farm costs. Based on index 100 in 1961, mortgage money was at 300 by 1975. The average farm debt payment was up to 400% in 1973 over 1961. These debt totals, reflecting the capital burden of land, machinery, and operating costs, represent a second level of production costs."

He then goes on to make an interesting observation, "Ironically", he says, "but not surprisingly, the level of debt burden is not reduced but increased during times of improved gross earnings. Farmers take on new commitments to expand at higher land prices and higher interest rates. Borrowing by farmers from the federally-funded Farm Credit Corporation increased by two-thirds in 1973 to a yearly total of $300 million, and short-term bank loans to farmers increased 21% in the first half of 1973 over 1972. This was during a year when gross farm income was up by 80% over the previous year! "

In this way the price of bread, indeed the price of wheat before it leaves the farm, carries, amongst other things, the added weight of parasitic real estate brokers, land speculators and mortgage companies, all of them basing their activities on usury (see Don Mitchell, "*The Politics of Food*", James Lorimer & Company, Toronto, pp. 63-64).

In this spiral of ever-expanding credit, production, and debt, it is the farmer who is under the most pressure, and when he is under pressure the land has to bear the brunt of it. It is the same everywhere. A report written in 1986 point-

ed out that United States agriculture was in the fourth year of a deep agricultural slump, with US farmers currently owing the banks a total sum of US $210,000 millions, which is more than the combined foreign debt of Brazil and Mexico. It was also estimated that a further 200,000 US farmers were facing bankruptcy in 1986 (see "*Comment: The Common Agricultural Policy*", Catholic Institute for International Relations, p.20).

The operation of the EEC's Common Agricultural Policy has not prevented the emergence of a severe agricultural depression in Europe, either. In 1985, farming income fell by an average of 17,5% in the United Kingdom, and 5,7% in the EEC as a whole. Over the 1970's, with inflation and land values increasing, farmers borrowed heavily, as we have seen, to finance productivity-improving investments. Interest rates have been abnormally high since the turn of the decade (i.e.,1980), and land values are now falling. Lloyds Bank, which has loaned nearly 1,000 million pounds to the farming industry in the United Kingdom, estimates that 10% of indebted farmers will have difficulty in meeting loan repayments this year (see op. cit., p.27).

So, far from improved production improving the farmer's lot, it is having the opposite effect. Such is the effect of usury.

THE OPPRESSION OF CONSUMER DEBT

DOMESTIC consumer debt in this country currently stands at about thirty-four billion pounds. That is, money owed by ordinary people who have bought things on credit but not yet paid for them. If private mortgages and bank loans are included as well, the figure is fantastic - 207 billion pounds. This does not include business loans or agricultural advances or government borrowing or any other kind of credit. Just outstanding private debts. This staggering sum is so big that it is extremely difficult for us to have any real idea of how much it is. To put it somewhat in perspective, it is about twice the amount owed by Brazil, one of the world's biggest debtors. But what on earth does this statistic mean? How does it actually affect us, the borrowers? What is its result in social terms? How has it come about?

Up to a few years ago, people did not get into debt unless it was absolutely unavoidable. The overwhelming ma-

jority of transactions were carried out on a cash basis. Credit transactions were basically limited to weekly or monthly accounts with local tradesmen which were certainly not interest-bearing. Loans could only be raised against tangible assets. The poor would take along grandfather's gold watch or great Aunt Mabel's gold brooch to the pawnbroker who would advance them 10 pounds against it. If they did not redeem it for fourteen pounds after a month, they would lose their heirloom. The rich could borrow money from the bank against the security of the deeds to their property. The scale of debt was therefore very small. People would basically live within their means and only buy what they could actually pay for at the time. Then along came Isaac Singer.

Singer made sewing-machines. The trouble was that his cheapest machine cost $125 which at the time was a great deal more than most people could come up with at one go. He had a brain wave. Let people pay by installments. He called this new buying method, "hire purchase". People paid $5 down and $ 5 a month. Within a year Singer's sales had tripled and within a short space of time he had cornered the market. The genie of domestic credit had been released.

It had now become increasingly possible to sell to ordinary people things which had previously been restricted to the wealthy and this is where the sinister side of credit creeps in. The more people who have something the greater becomes the pressure on those who do not have it, to get it.

It is a little like the example we had earlier of the enclosures. People had managed quite alright before, but the increased production brought about by enclosing meant that everyone had to get on the band wagon or go down. The same thing started to happen with consumer goods. Fridges started off by being a luxury for the well-off and gradually become practically indispensable for everyone. The same thing happened with washing machines, 3 piece suites, vacuum cleaners, televisions and videos. The pressure to have these things and others like them is overwhelming. Social pressure egged on by persistent and persuasive advertising virtually removes the element of choice altogether.

An extreme example of what can happen is illustrated by a conversation I had with a man in prison for theft. He said to me without a hint of guilt:

"Look, its quite clear you have to live up to a certain standard. There are some things you've got to have to make life worth living. So I go out and take them from people who look like they've got enough." This attitude is quite typical of many of his fellow inmates. They feel they have a right to certain things and if the only way they can get them is by stealing, so be it. Two things we can learn from this are that advertising is effective and that crime does not always pay.

However, most people, thank goodness, are not so devastatingly straight forward. They do the next best thing and get these things on credit which, as you know, is all too

easy. What credit really means of course is debt. Things have come a long way since Singer's time.

From the beginning there was interest written into the installment plan so that by the time you had finished paying for whatever it was you paid considerably more than if you had paid cash. Even so the main idea was still to sell the goods and services involved. But gradually a shift occurred and manufacturers and retailers began to realize that they were making as much profit from the selling process as they were from the goods themselves. The nature of usury was making itself felt. Once the usurious process is set in motion, it is found that it is easier to make money from money, than from real production. Goods and services have now, in many instances, become a way of selling debt. The managing director of an Electrical Appliance chain put it bluntly: "In many cases there is more profit at the retail level in financing than in the sale of the goods themselves."

So you find it easier and easier to get credit. More and more credit cards become available. The impetus is not so much to sell the goods, but to use the goods to sell the credit. How successful the credit merchants have been in this country is reflected in the immense sum at present outstanding.

9% of most people's income is now spent servicing their personal consumer debt. That does not mean paying off your debt. The chances are that 80% or more of your income is spent paying debts. No,'the 9% is just interest for which you

get nothing at all return. In other words, you spend over one month a year working purely for the usurers. In the case of many people it is considerably more than that and with some people interest payments account for 50% of their earnings.

In essence what people do when they buy on credit is mortgage their wages and salaries for an indefinite period. The implications of this are considerable, much more than most people realize, including for instance restriction of movement as well as the more obvious drawbacks but basically all is well as long as the money is coming in. When the money stops, as it increasingly frequently does, it is a different story. The obligation to make the payments does not.

In lower income families, 74% experience some kind of financial difficulty because of debt problems and 63% experience "real anxiety". There hundred thousand mortgage holders are now three months or more behind. Last year 16,000 houses were repossessed by Building Societies and this year the figures are up considerably. This means that in the time we have been here today, fifty people in this country have become homeless through mortgage default. Seven hundred and fifty thousand credit accounts are seriously in arrears. Last year there were over two million county court debt plaints.

These are just the figures. The real cost is in the stress and anxiety caused to people's lives and its accompanying toll of wife-beating, child abuse, mental breakdown, broken

marriages, crime and increasingly, suicide. I will just read a few excerpts from newspaper articles written within the last three months. These are representative of literally hundreds of reports on the growing problem of consumer debt.

So we can see that debt is not confined to the "Third World". It is much closer to home, probably, right inside of it. But the accompanying problems are exactly the same. The point is, it is not out there, it is right here. These things I have been talking about are the stark reality behind the glittering credit boom. These are the fruits of the usury which is both its cause and its only real beneficiary.

ECONOMIC IMPERIALISM

IMPERIALISM, or 'empire building', is about two things - money and power and to all extents and purposes, these two are inextricably inter-mingled. Traditionally empires have been established by military force, military force which was used to expand and protect the economic interests of the emperor and his ruling elite. Later, as economics becomes more subtle and complex, the use of economic force begins to supplant military force which, however, remains in the background ready to intervene where sources of raw materials or markets for manufactured goods are threatened. This is the original IMF- the 'intervening military force', as well understood and employed by the infamous 'British Empire'. However, with the development of usurious economic transactions, specifically paper money and interest, the economic system becomes powerful enough in its own right to control whole peoples and nations. The raiding party, the punitive expedition, gunboat diplomacy, become

things of the past. Incredibly, we are now witnessing a situation since 1982 where more money flows from third to first world in debt repayments, repayments of interest alone, than flows from the first to the third world in the form of aid and new loans. In 1985, according to Bob Geldof, Africa as a whole received 3 billion dollars in aid, and paid to the western banks a total of 6 billion dollars. This bloodless imperialism would surely be the envy of all the great emperors of the past, and it is passively condoned by every one of us who refuses to recognize the fundamental immorality and criminality of usury, without which this bleeding dry of the third world could not happen.

The techniques of this new imperialism are really of secondary importance to us here today. From the Bretton Woods agreement to the unpegging of the dollar from the gold standers, from the influx of billions of dollars of Arab oil money into western banks to the lending of small fortunes to developing Third World countries, from the failure of early expectations of economic development in the Third World, the fall in the price of raw materials produced by those countries, the rise in interest rates, the manipulation of the currency market, tariff barriers to trade and first world farming subsidies. The result has been, as we all know, debt on a massively unprecedented scale. The IMF is now in a position of dictating policy to the governments of debtor nations and not just in the Third World. This happened to Brit-

ain under Wilson's labor government and the guiding principles are always the financial interests of the world banking institution.

Economic imperialism is a complex and multi-faceted phenomenon but it is all based on the twin pillars of fiat money and international credit with interest. In other words - on usury - and we cannot allow this to continue.

To finish this section I can do no better than to quote from an article from the *Independent*, 5th September 1987, under the heading "IMF visit sets hearts a-flutter" which gives a typical example of the nature of the activities of the International Monetary Fund.

> "Last week, President Daniel Arap Moi of Kenya expressed the hope that the country's two state-owned banks would offer 30 percent of their equity as shares to the public.
>
> "The announcement quickened the hearts of members of the stagnating Nairobi Stock Exchange, and reminded everyone else that the International Monetary Fund, a champion of privatization, had come to town.
>
> "Its week-long mission here is the first of several to discuss what Third World governments call "strategy" and what the

Fund's detractors refer to as "medicine". Put simply, Kenya is running out of money again and is looking for cash.

"IMF calling - cards are common currency on finance ministry desks these days. Africa hasn't seen anything like it since the British moved into Egypt in the last century to Oversee Khdive's finances. And everyone knows what happened to Egypt's autonomy after that.

"It may be this historical precedent - colonization following outside intervention in the economy- that African politicians had in mind when they labelled the IMF the policeman of the continent.

"Kiosk-owners, maize-farmers and street hawkers may not know what the IMF's initials stand for, but they know it represents austerity.

"Zambia knows to what extent punitive reforms can erode national morale. President Kenneth Kaunda broke off negotiations on a revised loan agreement with the Fund on 1 May after rioting left 15 dead.

"Many multilateral agency officials privately sympathize with Mr. Kuanda, and agree that the Fund's demands for swinging budget cuts, devaluation and a dou-

bling of the price of maize meal had brought Zambia to its knees.

"Africa's greatest economic worry is its hemorrhaging debt. At $ 200 bn (125 bn pounds) it may not appear grave compared to Latin America's $400 bn. But the burden for Africans has become intolerable.

"And, unlike Latin America's, the bulk of it is official, not commercial, debt. In Kenya, for example, where annual debt repayments are 30 percent of export earnings, servicing is considered "manageable". For Sudan, Somalia and Guinea - Bissau, where the debt obligation is more than the country earns in a year, servicing is not manageable".

SUMMARY

SO, we have tried to give you a picture of usury. To define it in particular and in its broad effects. To show its historical development, and techniques, its philosophical background, how it determines the form of economic transactions and their consequent social effects.

We have given indications of what an economy might be without it and finally we have linked it with those urgent problems and issues that concern us today, to show its destructive effects in our global society.

We have shown that usury was never an acceptable part of human transactions. From the religious point of view it breaks the law, from another point of view it is unacceptable because of the imbalances that it creates.

In our own lives, daily involved in interest bearing credit transactions - like mortgages, hire purchase agreements, credit terms in shops, deposit accounts in banks and all

forms of paper money - it seems alright and everyone thinks it is alright. But it is not alright. It was previously abhorred. What was originally forbidden has finally ended up being a pillar of society, if not the pillar. Its effects were once seen and directly experienced. Its results are what we see of imbalance in the world today.

We hope we have given you food for thought. The preparation of this seminar was for us a journey in understanding. We would like with your help to take it on from here. We believe that there is in this a powerful, politically unifying, critique that gives a common ground for all of us who are trying to address particular problems in our society.

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مطابع دار الطباعة والنشر الإسلامية/العاشر من رمضان/المنطقة الصناعية ب٢ تليفاكس : ٣٦٢٣١٣ - ٣٦٣٣١٤

Printed in Egypt by ISLAMIC PRINTING & PUBLISHING Co. Tel:. 015 / 363314 - 362313 .